99TH CONGRESS
2d Session

SENATE

REPT. 99-242
Volume 3

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DEVELOPMENTS IN AGING: 1985
VOLUME 3

COMPLETED
105

A REPORT

OF THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

PURSUANT TO

S. RES. 85, SEC. 19, FEBRUARY 28, 1985

Resolution Authorizing a Study of the Problems of the Aged and Aging

FEBRUARY 28 (legislative day, FEBRUARY 24), 1986.—Ordered to be printed

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LETTER OF TRANSMITTAL

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC, February 28, 1986.

Hon. GEORGE BUSH,
President, U.S. Senate,
Washington, DC.

DEAR MR. PRESIDENT: Under authority of Senate Resolution 85, Sec. 19, agreed to February 28, 1985, I am submitting to you the annual report of the U.S. Senate Special Committee on Aging, Developments in Aging: 1985, volume 3.

Senate Resolution 4, the Committee Systems Reorganization Amendments of 1977, authorizes the Special Committee on Aging "to conduct a continuing study of any and all matters pertaining to problems and opportunities of older people, including, but not limited to, problems and opportunities of maintaining health, of assuring adequate income, of finding employment, of engaging in productive and rewarding activity, of securing proper housing and, when necessary, of obtaining care and assistance." Senate Resolution 4 also requires that the results of these studies and recommendations be reported to the Senate annually.

This report describes actions during 1985 by the Congress, the administration, and the U.S. Senate Special Committee on Aging which are significant to our Nation's older citizens. It also summarizes and analyzes the Federal policies and programs that are of the most continuing importance for older persons, their families, and for those who hope to become older Americans in the future.

On behalf of the members of the committee and its staff, I am pleased to transmit this report to you.

Sincerely,

JOHN HEINZ, *Chairman.*

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99TH CONGRESS
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Volume 3

DEVELOPMENTS IN AGING: 1985 VOLUME 3—AMERICA IN TRANSITION: AN AGING SOCIETY

FEBRUARY 28 (legislative day, FEBRUARY 24), 1986.—Ordered to be printed

Mr. HEINZ, from the Special Committee on Aging, submitted the following

REPORT

[Pursuant to S. Res. 85, 99th Cong.]

INTRODUCTION

America is growing older. One of the most significant demographic facts affecting America's present and future course is the aging of its population. The proportion and number of persons 65 years and older has grown and will continue to grow more rapidly than other age groups.

A quick overview of this surge in the older population highlights such facts as:

Growth:

—In 1900, 1 in 10 Americans was age 55 and over and 1 in 25 was age 65 and over. By 1984, 1 in 5 was at least 55 years old and 1 in 9 was at least 65.

—The older population grew twice as fast as the rest of the population in the last two decades.

—The median age of the U.S. population is projected to rise from 31 today to 36 by the year 2000.

—The 85-plus population is growing especially rapidly. This "very old" population is expected to be seven times as large by the middle of the next century.

—The elderly population is growing older. In 1980, 39 percent of the elderly population was age 75 and older. By the year 2000, half of the elderly population is projected to be 75-plus.

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—Elderly women now outnumber elderly men three to two. This disparity is even higher at age 85 and older, when there are only 40 men for every 100 women.
—The ratio of elderly persons to persons of working age has grown from 7 elderly per 100 persons age 18 to 64 in 1900 to 19 per 100 today. By 2010, there are expected to be 22 elderly persons per 100 of working age and by 2050, 38 per 100.
—Life expectancy at birth improved dramatically over the last century. People born today have a life expectancy 26 years longer than those born in 1900.
—Improvement in life expectancy is particularly dramatic for women. In 1983, life expectancy at birth for women was 78.3 years, while for men it was 71.0 years.
—The number and proportion of older veterans is increasing. By the year 2000, close to two-thirds of all 65-plus males will be veterans, compared to one-fourth today.
—Aging is an international phenomenon. The number of persons 60-plus in the world is expected to increase from 376 million in 1980 to 1.1 billion in 2025.

Geographic distribution:

—Over half of the elderly live in just eight States: California, New York, Florida, Pennsylvania, Texas, Illinois, Ohio, and Michigan.
—In 1980, for the first time, more elderly lived in the suburbs than in central cities.
—On average, older persons change residences half as often as younger persons, but those who move out-of-State tend to move to the sunbelt.
—The number of Americans who are age 60 and older moving to the sunbelt has nearly doubled since 1950.
—A new trend, called "countermigration," has emerged in which some 60-plus persons who migrated to the sunbelt in their early retirement years return to their home States or the homes of family and friends.

Economic status:

—Older persons have substantially less cash income than those under 65. In 1984, the median family income of a family head age 65 or older was less than two-thirds the median income of a family head age 25 to 64.
—Elderly persons are more likely than other adults to be poor. (However, when children are also considered, elderly poverty rates are slightly below poverty rates for the rest of the population.) In 1984, 12.4 percent of persons 65 and older had incomes below the poverty level, compared to 11.7 percent of those age 18 to 64 and 14.7 percent of all persons under age 65.
—The old-old (85 years of age or older) have significantly lower money incomes than the young-old (65 to 74 years of age.) In 1984, the median cash income of couples aged 85 and over ($13,750) was less than three-quarters the median cash income of couples aged 65 to 74 ($19,774).
—In 1984, the median income of elderly women was slightly more than half the median income of elderly men, $6,020

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versus $10,450. Nearly three-quarters of the elderly poor population are women.

—Nonwhite elderly individuals have substantially lower money incomes than their white counterparts. For instance, among those age 65 to 69, white males had a median income of $12,749 compared to a median of $7,545 for black men and $8,778 for Hispanic men.

—The elderly rely heavily on Social Security benefits and asset income. In 1982, 40 percent of all income received by aged units came from Social Security and 25 percent came from assets income.

—While Social Security and assets have grown in recent decades as a source of income for the elderly, earnings have become less important. Between 1968 and 1984, the share of income for elderly families provided by Social Security grew from 22.9 to 31.6 percent of income and the share provided by asset income from 14.3 to 23.7 percent. At the same time, the share contributed by earnings fell from 48.2 to 28.6 percent.

Retirement trends and labor force participation:

—In this century, retirement has become an expected part of an individual's life course. In 1900, the average male spent 3 percent of his lifetime in retirement. In 1980, he was spending one-fifth of his life in retirement.

—Age 65 is commonly thought of as the "normal" retirement age. However, almost two-thirds of older workers retire before age 65.

—The labor force participation of men and women drops rapidly with increasing age. For instance, according to labor force statistics for 1985, 45.7 percent of 62- to 64-year-old men were in the labor force compared to 25 percent of 65- to 69-year-old men, and 10.2 percent of those age 70-plus.

—In 1985, almost three-quarters of 65-plus workers were in managerial and professional; technical, sales and administrative support; and service occupations.

—Three-quarters of the labor force would prefer to continue some kind of part-time work after retirement. In 1985, of the elderly who were at work in nonagricultural industries, 45 percent of the men and 58 percent of the women were on part-time schedules.

—For those elderly who desire to work, unemployment creates serious problems. Older workers who lose their jobs stay unemployed longer than younger workers, suffer a greater earnings loss, and are more likely to give up looking for another job.

Health status and health services utilization:

—Contrary to stereotype, most older persons view their health positively. Even if they have a chronic illness, two out of three elderly describe their health as good or excellent compared to others their own age.

—One out of five elderly have at least a mild degree of disability.

—Over half of the oldest-old have no physical disability, but the chance of becoming disabled increases with age.

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—Cross-sectional data have shown that the likelihood of having a chronic illness increases with age. More than four out of five persons 65 and over have at least one chronic condition and multiple conditions are commonplace in the elderly.
—Many psychiatric problems are not as common for older persons as for younger persons. However, the primary health problem of older age is cognitive impairment (which can be related to a number of sources, including Alzheimer's disease). A recent study has shown that 14 percent of the elderly have at least a mild form of cognitive impairment.
—Three out of four elderly die from heart disease, cancer, or stroke. Though heart disease has been declining, it remains the major cause of death today.
—Death rates, a statistical measure of the frequency of deaths in the population, reached an all-time low in 1983.
—"Informal supports," the help of friends, spouses and other relatives, provide valuable assistance to the elderly in the community. For instance, in 1982, relatives provided approximately 80 percent of all community care to disabled elderly men.
—Only about 5 percent of the elderly live in nursing homes at any given time. In 1985, an estimated 1.5 million elderly persons will reside in nursing homes.
—The elderly are the heaviest users of health services. They account for 30 percent of all hospital discharges and one-third of the country's personal health care expenditures even though they constitute only 11 percent of the population. Health care utilization is also greatest in the last year of life and among the old-old.
—Out-of-pocket health expenses for the elderly are now the same as they were prior to the enactment of Medicare and Medicaid. In 1984, the average out-of-pocket expense to the elderly was $1,059 annually.
—Per capita spending for health care for the elderly was $4,202 in 1984.

Social characteristics:

—Most elderly men are married and live in a family setting, while most older women are widows. In 1985, 68 percent of women age 75-plus were widowed while 67 percent of the men in this age group were married. In 1984, 50 percent of women age 75-plus lived alone, while only 20 percent of men in this age category lived alone.
—The gap in educational attainment between the elderly and nonelderly is closing. In 1980, the proportion of the population age 55 to 64 years which had completed high school nearly equaled that of the younger population.
—In 1980, 72 percent of the households maintained by an older person were owner-occupied and about 80 percent of these were owned free and clear.
—With increasing age, Americans tend to rent rather than own.
—The elderly are most likely to live in older homes. In 1980, 40 percent of both elderly owners and elderly renters lived in housing structures built in 1939 or earlier.

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—Significant numbers of elderly persons live in inadequate housing and do not have telephones. In 1980, 1 out of 10 elderly persons lived in homes infested with rats and mice, 30 percent lived in housing with bedrooms which lacked privacy, and almost 15 percent of male renters aged 65 to 69 were without telephones.

—The elderly and the near elderly are the most likely age groups to vote. Data for the 1980, 1982, and 1984 elections demonstrate that about one-third of all voters are age 55 or older.

Federal expenditures on the elderly:

—Federal spending on the elderly has nearly doubled since 1960. In 1986, 28 percent of the federal budget, $273.1 billion, is expected to be of direct benefit to older Americans.

—Today, rising health care costs have overtaken Federal spending for retirement income as the source of greatest increase in Federal spending on the elderly. Projections for 2030 indicate that spending, as a percent of GNP, will equal 5.7 percent for Social Security and disability payments, compared to 6 percent for Medicare financing and other Federal health care programs. In 1983, spending for Social Security and disability equaled 5.2 percent of GNP. Federal health spending was only 2.7 percent of GNP in 1983.

The age group 65-plus is used most often in this report to represent the elderly population. While the attainment of age 65 no longer marks the point of retirement for most workers, it is the age of eligibility for full Social Security benefits and for Medicare coverage. Perhaps most importantly, 65 is the age traditionally used to demarcate the older population for many statistical analyses. The characteristics of this broad age group are, when possible, compared with those of persons in subgroups such as 55-plus, 75-plus, or 85-plus. Occasionally, the age groups 60-plus or 55-plus are used as descriptors of the "older" population for certain purposes. Unfortunately, the available data often limit the amount of age detail that can be presented.

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Chapter 1

SIZE AND GROWTH OF THE OLDER POPULATION

The older population has increased far more rapidly than the rest of the population for most of this century. In the last two decades alone, the 65-plus population grew by 54 percent while the under-65 population increased by only 24 percent. Since 1960, an average of 149,000 persons a month have joined the ranks of the elderly.[1] This type of demographic change is unprecedented and bears one dramatic conclusion: America is growing older.

The following chapter describes this trend toward people living longer and its impact on the country's age distribution. Selected characteristics of the elderly population and the international impact of the aging of the population are also provided. Please note that the projections presented in this section and throughout this report do not imply certainty about future events. They represent forecasts based on continued patterns from the past and assumptions about future trends in fertility, mortality, and net immigration.

A. 1984 AGE DISTRIBUTION

The Older Population Has Doubled in This Century as a Proportion of Total Population

At the beginning of this century, less than 1 in 10 Americans was age 55 and over and 1 in 25 was age 65 and over. By 1984, 1 in 5 Americans was at least 55 years old and 1 in 9 was at least 65.

This century's dramatic increase in the number and proportion of older persons is reflected in the 1984 population estimates prepared by the U.S. Census Bureau. In 1984, there were an estimated 50.2 million Americans age 55 or older and 28 million who were at least age 65. About 9 percent (22.2 million) of the total population was 55 to 64 years old, 7 percent (16.6 million) was 65 to 74 years old, 4 percent (8.8 million) was 75 to 84 years old, and 1 percent (2.6 million) was about 85 years old and over (table 1-1).

[1] Soldo, Beth J. and Kenneth G. Manton. The Graying of America: Demographic Challenges for Socioeconomic Planning. The Journal of Socio-Economic Planning Sciences, 1984, in press.

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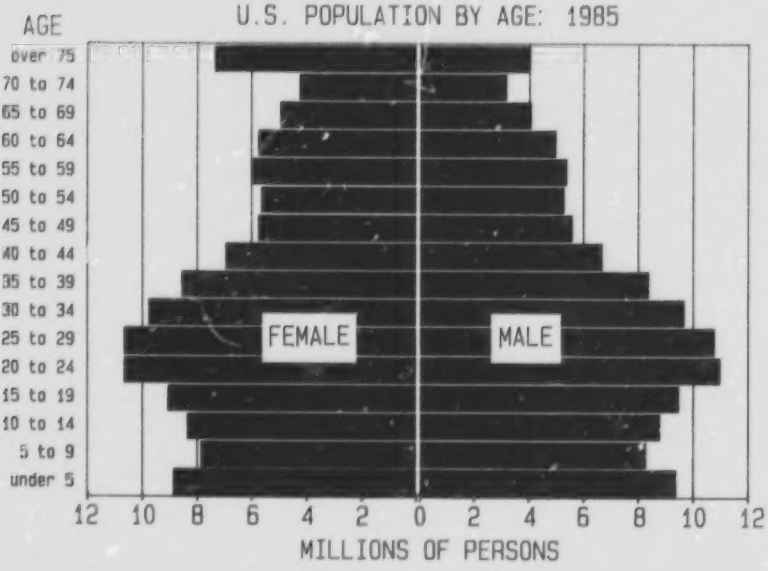
TABLE 1-1.—DISTRIBUTION OF THE POPULATION BY OLDER AGE GROUPS, 1984

Age group	Number	Percent
All ages	236,416,000	100
0 to 54	186,220,000	79
55 to 64	22,210,000	9
65 to 74	16,596,000	7
75 to 84	8,793,000	4
85-plus	2,596,000	1
55-plus	50,195,000	21
65-plus	27,985,000	12

Source: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952

Chart 1-1 displays the country's age distribution in 1984 and gives a glimpse into the future. The "baby-boom" generation (age 20 to 39) which dominates the picture, is the result of increased fertility after World War II—from 1946 to 1962. This generation will dominate the age distribution of the country well into next century. In fact, when this group begins to collect Social Security benefits in the early part of the 21st century, they will swell the ranks of the 65-plus generation to the point that one in five Americans will be elderly.

CHART 1-1



SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952

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Chart 1-1 also provides a graphic representation (by 5-year age intervals) of the size of the older population in relation to the younger population. In 1984, the population over 55 was 21 percent of the total U.S. population and the elderly population, age 65-plus, was 12 percent.

It is commonly assumed that today's large numbers and proportion of older persons are caused by increased longevity. In fact, the rise in longevity explains only part of the increase. The primary cause is an increase in the annual number of births prior to 1920 and after World War II.[2] The aging of the pre-1920's, group, along with a dramatic decline in the birth rate after the mid-1960's, has contributed to the rise in the median age of the U.S. population from 28 in 1970 to 31 in 1984. A 3-year rise in the median age in 14 years is an historic demographic event.

(NOTE: Unless otherwise noted, the statistics in this section on the size and growth of the population are estimates taken from: Spencer, Gregory; Projections of the Population of the United States, by Age, Sex and Race: 1983 to 2080; U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952; Middle Series Projections. Population estimates for the years prior to 1984 are from the Decennial Censuses of Population.)

B. AGING OF THE BABY-BOOM

THE GRAYING OF AMERICA WILL CONTINUE WELL INTO THE NEXT CENTURY WITH THE AGING OF THE BABY-BOOM

The projected growth in the older population will raise the median age of the U.S. population from 31 today to 36 by the year 2000 and to age 42 by the year 2050 (chart 1-2). Between 1984 and 2050 the total U.S. population is projected to increase by a third, while the 55-plus population is expected to more than double (table 1-2, chart 1-3). In fact, if current fertility and immigration levels remain stable, the only age groups to experience signficant growth in the next century will be those past age 55.

[2] Jacob S. Siegel and Maria Davidson. Demographic and Socioeconomic Status of Aging in the United States. U.S. Bureau of the Census, Current Population Reports. Series P-23. No. 138, 1984.

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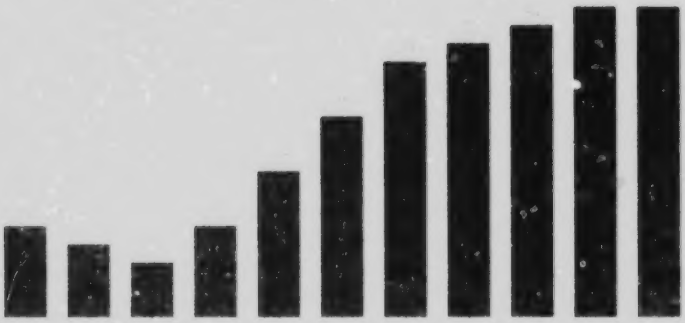

The increase in the older population is expected to occur in two stages. Through the year 2000, the proportion of the population age 55 and over is expected to remain relatively stable, at just over one in five (22 percent). By 2010, because of the maturation of the baby boom, the proportion of older Americans is projected to rise dramatically; more than one-fourth of the total U.S. population is expected to be at least 55 years old and one in seven Americans will be at least 65 years old. By 2050, one in three persons is expected to be 55 years or older and one in five will be 65-plus.

TABLE 1-2.—ACTUAL AND PROJECTED GROWTH OF THE OLDER POPULATION, 1900–2050

[Numbers in thousands]

Year	Total population all ages	55 to 64 years		65 to 74 years		75 to 84 years		85 years and over		65 year and over	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1900	76,303	4,009	5.3	2,189	2.9	772	1.0	123	0.2	3,084	4.0
1910	91,972	5,054	5.5	2,793	3.0	989	1.1	167	.2	3,950	4.3
1920	105,711	6,532	6.2	3,464	3.3	1,259	1.2	210	.2	4,933	4.7
1930	122,775	8,397	6.8	4,721	3.8	1,641	1.3	272	.2	6,634	5.4
1940	131,669	10,572	8.0	6,375	4.8	2,278	1.7	365	.3	9,019	6.8
1950	150,967	13,295	8.8	8,415	5.6	3,278	2.2	577	.4	12,270	8.1
1960	179,323	15,572	8.7	10,997	6.1	4,633	2.6	929	.5	16,560	9.2
1970	203,302	18,608	9.2	12,447	6.1	6,124	3.0	1,409	.7	19,980	9.8
1980	226,505	21,700	9.6	15,578	6.9	7,727	3.4	2,240	1.0	25,544	11.3
1990	249,657	21,051	8.4	18,035	7.2	10,349	4.1	3,313	1.3	31,697	12.7
2000	267,955	23,767	8.9	17,677	6.6	12,318	4.6	4,926	1.8	34,921	13.0
2010	283,238	34,848	12.3	20,318	7.2	12,326	4.4	6,551	2.3	39,195	13.8
2020	296,597	40,298	13.6	29,855	10.1	14,486	4.9	7,081	2.4	51,422	17.3
2030	304,807	34,025	11.2	34,535	11.3	21,434	7.0	8,612	2.8	64,581	21.2
2040	308,559	34,717	11.3	29,272	9.5	24,882	8.1	12,834	4.2	66,988	21.7
2050	309,488	37,327	12.1	30,114	9.7	21,263	6.9	16,034	5.2	67,411	21.8

Sources: 1900–80 U.S. Bureau of the Census, Decennial Censuses of Population; 1990–2050 U.S. Bureau of the Census, Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080, Current Population Reports, Series P-25, No. 952, May 1984. Projections are middle series.

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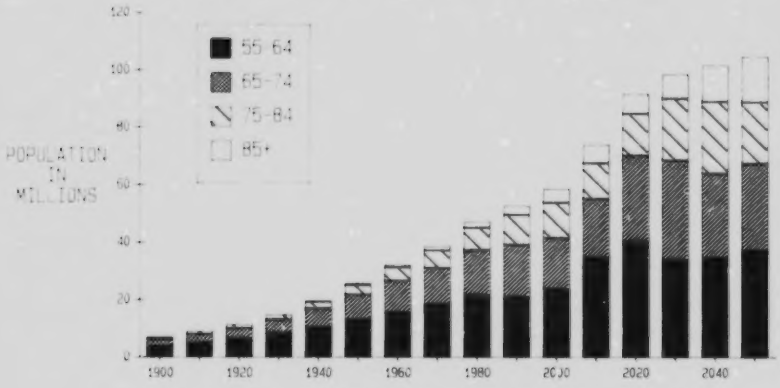
CHART 1-3

POPULATION 55 YEARS AND OVER BY AGE: 1900-2050



SOURCE: U.S. Census of the Population, 1890-1980 and Projections of the Population of the United States: 1983 to 2080, Current Population Reports, Series P-25, No. 952 Middle Series

One of the most dramatic examples of the changing age distribution of the American population is the shift in the proportion of elderly in relation to the proportion of young persons (chart 1-4). In 1900, 4 percent of the population was age 65 and over while young persons, age 0 to 19 years, made up 44 percent of the population. By 1980, the proportion of 65-plus persons had increased to 11 percent and the proportion of young persons had decreased to 32 percent. U.S. Census Bureau forecasts predict that, by the middle of the next century, the proportion of young persons and elderly will be almost equal, with persons 0 to 19 years equaling 23 percent and the elderly equaling 22 percent of the population.

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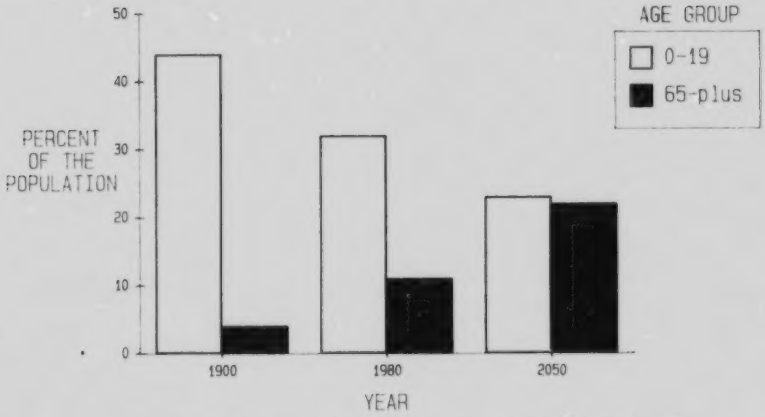
CHART 1-4

ACTUAL AND PROJECTED DISTRIBUTION OF CHILDREN AND ELDERLY IN THE POPULATION



SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952 and Census of the Population, 1900

C. OLDEST-OLD

The 85-Plus Population Is the Fastest Growing Age Group

The 85-plus population is the fastest growing age group in the country. Chart 1-5 displays the growth of the 85-plus population in relation to three older age groups. This part of the population is also expected to triple in size between 1980 and 2020 and to be seven times as large in 2050 as in 1980 (table 1-2). While the increase in the "very-old" population is one of the major achievements of improved disease prevention and health care in this century, it has far-reaching implications for public policy because of the high probability of health problems and need for health and social services for this age group.

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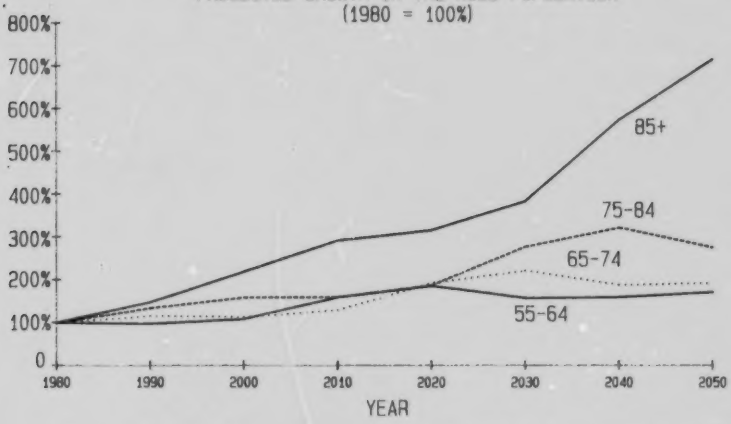
CHART 1-5

PROJECTED GROWTH IN THE AGED POPULATION
(1980 = 100%)



SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 95?

Life expectancy at age 85 has increased 24 percent since 1960 and is projected to increase another 44 percent by 2040.[3] Between 1984 and 2050, the population aged 85 and over is expected to jump from about 1 percent to over 5 percent of the total population and from 9 percent to 24 percent of the 65-plus population.

More people are also surviving into their 10th and 11th decades. The 1980 census counted 163,000 persons 95-plus compared to 45,000 when the census was taken in 1960. And, in the 1980's, 210 Americans are celebrating their 100th birthday every week. Because of the increase in the very old population, it is increasingly likely that older persons will themselves have a surviving parent. Four and five-generation families are becoming more common.

D. AGING OF THE ELDERLY POPULATION

The Elderly Population Is Growing Older

With increases in the number of people surviving into the upper age ranges, the elderly population is growing older. In 1980, the young old (age 65 to 74) out-numbered the oldest old (age 75 or older) by three to two. By the turn of the century, half of the elderly population are expected to be age 65 to 74 and half will be age 75 or older (table 1-2 and chart 1-6).

[3] Soldo and Manton. The Graying of America: Demographic Challenges for Socioeconomic Planning.

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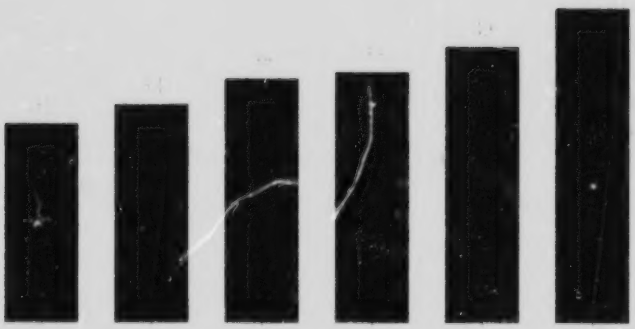

E. RACE AND ETHNICITY

The Nonwhite Population Has a Smaller Proportion of Elderly Persons Than the White Population

Today, the nonwhite population (black and other) has a smaller proportion of elderly than the white population (table 1–3). In 1984, 13 percent of whites but only 8 percent of nonwhites were age 65 and over. The difference is a result of higher fertility and higher mortality below the age of 65 for the nonwhite population than the white population.

These proportions are expected to remain relatively stable over the next couple of decades. However, beginning in the early part of the next century, the proportion of elderly persons is expected to increase at a higher rate for the nonwhite population than for the white population. By 2025, the elderly portion of the nonwhite population is expected to increase by 75 percent compared to a 62-percent increase for the white population. And from 2025 to 2050, the proportion of elderly within the nonwhite population is projected to increase another 29 percent compared to a 10 percent increase for the white population.

Elderly Whites Disproportionately Outnumber Elderly Nonwhites

Whites are disproportionately represented in the elderly population. In 1984, 91 percent of the 65-plus population were white and 9 percent were nonwhite, while in the total population, 85 percent were white and 15 percent were nonwhite (table 1–3). In the next

century, that portion of the elderly population that is nonwhite is expected to grow. By 2025, 15 percent of the elderly population is expected to be nonwhite and in 2050 this figure is expected to reach 19 percent.

TABLE 1-3.—POPULATION BY RACE AND AGE, 1984

[Numbers in thousands]

	Total		White		Black and other	
	Number	Percent	Number	Percent	Number	Percent
Percent of racial groups by age category:						
All ages	236,416	100	201,555	100	34,861	100
0 to 54	186,220	79	156,420	78	29,809	85
55 to 64	22,210	9	19,805	10	2,400	7
65 to 74	16,596	7	14,959	7	1,637	5
75 to 84	8,793	4	7,981	4	812	2
85-plus	2,596	1	2,391	2	205	0.1
55-plus	50,195	21	45,136	22	5,509	16
65-plus	27,985	12	25,331	13	2,654	8
Percent of elderly by race:						
All ages	236,416	100	201,555	85	34,861	15
0 to 54	186,220	100	156,420	84	29,809	16
55 to 64	22,210	100	19,805	89	2,400	11
65 to 74	16,596	100	14,959	90	1,637	10
75 to 84	8,793	100	7,981	91	812	9
85-plus	2,596	100	2,391	92	205	8
55-plus	50,195	100	45,136	90	5,059	10
65-plus	27,985	100	25,331	91	2,654	9

Percents may not add to 100 due to rounding.

Source: U.S. Bureau of the Census, Projections of the Population of the United States, by Age, Sex, and Race, 1983 to 2080. Series P-25. No. 952.

F. SEX RATIOS

Older Women Outnumber Older Men

Elderly women now outnumber elderly men three to two, a considerable change from 1960 when the ratio of elderly females to elderly males was five to four.

The ratio of females to males varies dramatically with age. In the under-20 age group, for instance, the 1980 census found 35.5 million women versus 37 million men. The 20 to 24 year age group was evenly balanced at about 10.7 million each. But, for the 65-plus age group there were 15.2 million women and 10.2 million men.

This disparity becomes more marked in the upper age ranges. In 1984, there were 81 men between 65 and 69 years for every 100 women in that same age group. Among those 85 and over, there were only 40 men for every 100 women (chart 1-7). These statistics reflect the fact that, on the average, women live longer than men and, therefore, are more likely to end up living alone. Because of these factors, elderly women average a longer period of retirement than elderly men during which time they must rely on private and public sources of retirement income.

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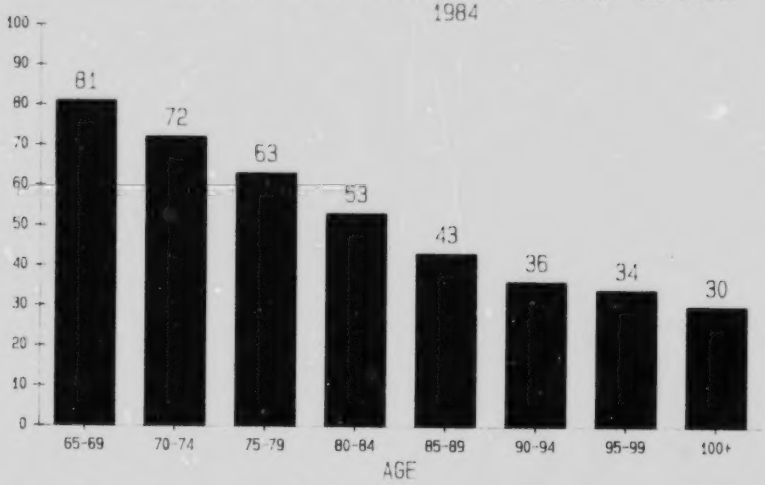
CHART 1-7

NUMBER OF MEN PER 100 WOMEN BY ELDERLY AGE GROUP
1984



SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952, estimates

G. SUPPORT RATIO

The Ratio of Elderly to Working Age Persons Is Increasing Dramatically

The fact that people are living longer and families are having fewer children is changing the shape of the "elderly support ratio" (the number of 65-plus persons to persons of working age, 18 to 64 years). The average family in the early 1900's had four children; today, the average family has only two children. This factor combined with the fact that average life expectancy has advanced by 26 years since 1900 is resulting in growth in the ratio of elderly persons compared to persons of working age (chart 1-8 and table 1-4). In 1900, there were about 7 elderly persons for every 100 persons of working age; in 1984, this ratio was almost 19 elderly persons per 100 of working age. By 2020, the ratio will rise to about 29 per 100 and is expected to increase rapidly to 38 per 100 by 2050 (chart 1-8 and table 1-4).

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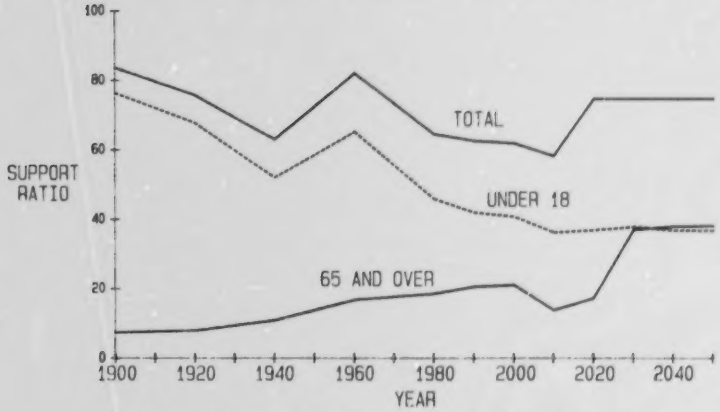
CHART 1-8

YOUNG, ELDERLY AND TOTAL SUPPORT RATIOS FOR 1900-2050



SOURCE: U.S. Bureau of the Census, Decennial Censuses of Population, 1990-2050; Current Population Reports, Series P-25, No. 952, Projections Are Middle Series

TABLE 1-4.—YOUNG, ELDERLY AND TOTAL SUPPORT RATIOS, 1900–2050

Year	Aged	Young	Total
1900	7.4	76.3	83.6
1920	8.0	67.7	75.7
1940	10.9	51.9	62.8
1960	16.8	65.1	82.0
1980	18.6	45.8	64.4
1990	20.6	41.9	62.5
2000	21.1	40.7	61.8
2010	21.9	36.2	58.1
2020	28.7	36.9	65.6
2030	37	37.8	74.8
2040	37.9	36.7	74.6
2050	38	36.6	74.6

Source: U.S. Bureau of the Census, Decennial Census, 1980 and Projections of the Population of the United States by Sex and Race: 1983 to 2050: Series P-25, No. 952.

The "support ratio" is important because, in economic terms, the working population can be thought of as supporting nonworking age groups. However, a "support" or dependency ratio is a crude measure since many younger and older persons are in the labor force and not dependent while many persons of labor force age may not be working. Although the total support ratio (young and old combined) is expected to increase in the next century, it has declined substantially since 1900. This would suggest that fewer economic demands are currently placed on working age Americans for supporting the young and the old.

From a public policy standpoint, however, the decline in the total support ratio, caused by a large decline in the number of children,

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masks the rise in the elderly support ratio. This is an important distinction because it is primarily publicly-funded programs which serve the elderly while mostly private (i.e., family) funds are directed toward support of the young. Nonetheless, the increasing demands on public programs caused by a burgeoning elderly population are, in large part, offset by declining demands on private funds for supporting children.

H. LIFE EXPECTANCY

The Upward Trend in Life Expectancy Is Continuing

The average expectation of life at birth reached a record high in 1984. This increase continues a remarkable upward trend in life expectancy since the beginning of the century. The greatest gains occurred during the first half of the century largely due to dramatic reductions in deaths due to infectious disease. A baby born in 1900 could expect to live an average of 47.3 years, while a baby born in 1984 could expect to live 74.7 years (table 1-5). Although in the early part of this century, increases in life expectancy were due to decreases in deaths of infants and children, most of the increasing life expectancy since 1970 has been due to decreased mortality among the middle-aged and elderly population.

TABLE 1-5.—LIFE EXPECTANCY AT BIRTH AND AT AGE 65 BY RACE AND SEX, 1981-84

	All races			White			Black		
	Both sexes	Male	Female	Both sexes	Male	Female	Both sexes	Male	Female
At birth:									
1981	74.2	70.4	77.8	74.8	71.1	78.4	68.9	64.5	73.2
1982	74.5	70.9	78.1	75.1	71.5	78.7	69.4	65.1	73.7
1983	74.6	71.0	78.2	75.2	71.7	78.7	69.6	65.4	73.6
1984[1]	74.7	71.1	78.3	75.3	71.8	78.8	69.7	65.5	73.7
At age 65:									
1981	16.7	14.4	18.6	16.8	14.4	18.8	15.2	13.2	17.0
1982	16.8	14.5	18.8	16.9	14.5	18.9	15.4	13.3	17.2
1983	16.7	14.5	18.6	16.8	14.5	18.7	15.5	13.4	17.3
1984[1]	16.8	14.5	18.7	16.9	14.6	18.8	15.6	13.4	17.5

[1] Provisional data.

Source: National Center for Health Statistics, Advance Report of Final Mortality Statistics, 1982 and 1983, Annual Summary of Births, Marriages, Divorces, and Deaths, 1984, unpublished data.

(Note: Life expectancy is the average number of years of life remaining to a person if he or she were to experience the age-specific mortality rates for the tabulated year throughout the remainder of life.)

(A) SEX DIFFERENCES

Throughout this century, improvement in the years an individual can expect to live has been more significant for women than for men (chart 1-9 and table 1-6). For instance, from 1950 to 1980, life expectancy at birth for the total population advanced by 5.5 years. For women, however, life expectancy at birth advanced by about 6.4 years; men advanced by only 4.3 years. Now, however, the gap in female/male life expectancy appears to be decreasing slightly. Between 1981 and 1984, life expectancy for males at birth increased by seven-tenths of a year, slightly more than the five-

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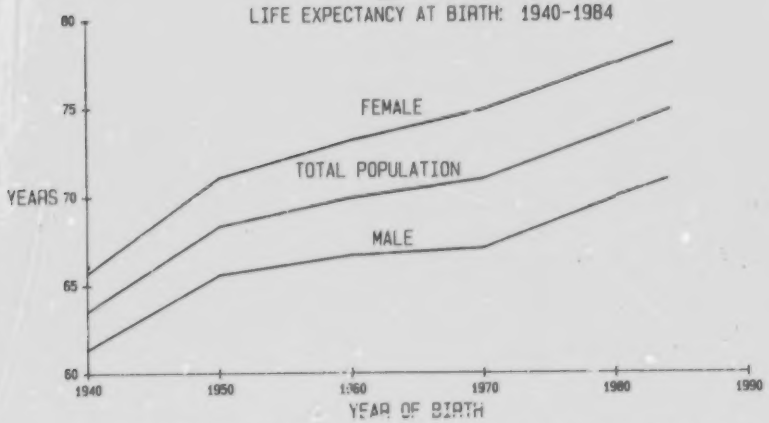
tenths year gain for females. The female/male differential in life expectancy was 7.2 years in 1984, as compared to 7.6 years in 1980 and 7.8 years in 1970.

CHART 1-9

LIFE EXPECTANCY AT BIRTH: 1940-1984



SOURCE: National Center for Health Statistics, Monthly Vital Statistics Report, Vol. 34, No. 6, September 1985 and unpublished data for 1984

TABLE 1-6.—LIFE EXPECTANCY AT BIRTH AND AGE 65 BY SEX AND CALENDAR YEAR, 1900-2050

	Male		Female	
	At birth	At age 65	At birth	At age 65
1900	46.4	11.3	49.0	12.0
1910	50.1	11.4	53.6	12.1
1920	54.5	11.8	56.3	12.3
1930	58.0	11.8	61.3	12.9
1940	61.4	11.9	65.7	13.4
1950	65.6	12.8	71.1	15.1
1960	66.7	12.9	73.2	15.9
1970	67.1	13.1	74.9	17.1
1980	69.9	14.0	77.5	18.4
1990	72.6	15.1	79.8	19.8
2000	73.9	15.8	81.2	20.7
2010	74.5	16.1	81.8	21.1
2020	75.0	16.5	82.3	21.6
2030	75.5	16.8	82.9	22.0
2040	76.0	17.2	83.5	22.5
2050	76.2	17.6	84.0	23.0

Source: Social Security Administration, Social Security Area Population Projections, 1985; Actuarial Study No. 95 Alternative II.

(NOTE: Statistics for life expectancy reported in this section may differ slightly depending on the data source used.)

Americans who reached their 65th birthdays in 1984 could expect to live another 16.8 years. Since 1900, life expectancy at age 65 has advanced significantly. Although life expectancy at birth showed greater increases in the first half of the century than life expectancy at age 65, in recent years, life expectancy at age 65 has been

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increasing more rapidly. According to estimates from the Social Security Administration (SSA), elderly men gained 2.7 years from 1900 to 1980 and elderly women gained 6.4 years. SSA's projections for the future suggest that elderly men can expect to gain an additional 3.6 years by the year 2050, while women could expect to gain an additional 4.6 years.

(B) RACE

Life expectancy at birth differs according to race, with whites living longer than blacks. However, this gap is also narrowing. In 1940, life expectancy at birth for whites was 11 years longer than for blacks. In 1984, the difference was 5.6 years. From 1981 to 1984, the black population showed an increase of eight-tenths a year in life expectancy, compared to five-tenths a year for the white population. Differences in life expectancy by race at age 65, however, are smaller in terms of number of years and have been for decades. In 1984, at age 65, blacks could expect to live 15.6 more years, 1.3 years less than whites at that age. However, in relative terms, white life expectancy both at birth and at age 65 is about 8 percent higher than black life expectancy. This relationship reverses in later years. In fact, life expectancy is higher for blacks after age 80 than for whites.

(C) RACE AND SEX

A significant hierarchy is evident for life expectancy of males and females by race. White females have the highest life expectancy at birth, followed by black females, white males, then black males. The largest recent gain in life expectancy has been for black females. From 1970 to 1984, black females gained 5.4 years, black males 5.5 years, white males 3.8 years and white females 3.2 years.

(D) DEATH RATES

An important measure of improvement in health and longevity is the frequency of deaths in the population, commonly called death or mortality rates. With some periods of fluctuation, dramatic declines in the frequency of deaths in the population have been registered since 1940. In 1983, death rates reached an all-time low for all age groups (see chapter 5).

Not only do mortality trends have major implications for the numbers and proportion of elderly in the future American population, they also affect the need for health and social services among the older population. Decreases in mortality rates do not necessarily translate into better health for all those living longer. In fact, increases in life expectancy may mean that individuals will live more years in poor health.

The projected rapid increase in the size of the older population, particularly the very old, implies related increases in the demand for health care delivery and assistance. And, if the onset of limitations due to chronic disease were simply delayed but not shortened, health costs for acute and long-term care could exceed recent current projections.

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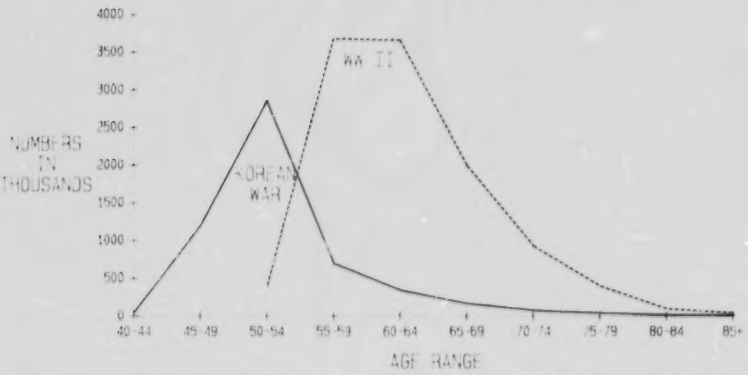
I. VETERANS

Two-Thirds of All Elderly Males Will Be Veterans by the End of This Century

Although the total veteran population is expected to decrease over the next five decades, the number and proportion of older veterans is increasing. This will result in considerable strain on the Veteran's Administration health care system as large numbers of veterans age. In 1980, over a quarter, 27 percent, of all 65-plus American males were veterans. By the year 2000, close to two-thirds, 63 percent of all elderly males, will be veterans and eligible for benefits. This change is temporary, however. The proportion of veterans in the 65-plus male population will actually decrease after the turn of the century--by 2010 only half of elderly males will be veterans; by 2020 only slightly over one-third will be veterans.

In 1985, there were 5.040 million veterans age 65 plus, 18.1 percent of all veterans. The number of veterans is correlated with periods of armed conflict. Chart 1-10 displays the "waves" of veterans according to their period of wartime service. (This chart does not include peacetime veterans.) By the year 2000, there are expected to be 9 million elderly veterans. This number will drop back to 8.1 million in 2010 and 7.8 million in 2020.

CHART 1-10
ESTIMATED NUMBER OF WARTIME VETERANS
BY AGE AND PERIOD OF SERVICE
MARCH 1983



SOURCE: Veterans Administration; Caring for the Older Veteran; July 1984

Over 95 percent of all veterans are males. Due to the relatively large number of women serving in World War II and the Korean conflict, the number of aged female veterans is expected to grow, doubling by the year 2000 from 1980 levels. However, current projections estimate that only 4.4 percent of aged veterans will be females. After the year 2000, the number of female veterans is expected to decrease temporarily only to steadily increase again after

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the year 2015 as women who served during the Vietnam war and the post-Vietnam era.

The number and proportion of all veterans age 75-plus are also expected to increase. Today, 28.3 percent of all elderly veterans are age 75 and over. By the year 2000, 44.2 percent will be in this age group. This proportion is expected to increase gradually so that by 2020 almost half, 47.8 percent, of all veterans will be 75-plus.

J. INTERNATIONAL COMPARISONS

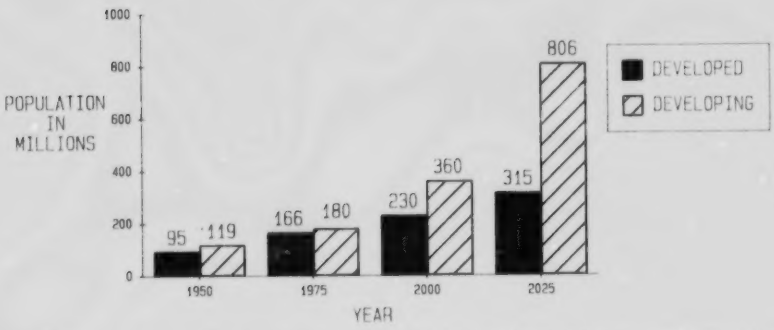
The Aging of Populations Is an International Phenomenon

All world regions are experiencing an increase in the absolute and relative size of their older populations. Until recently, the aged have represented a relatively small proportion of most countries' populations and were not major recipients of social and economic resources. Historically, the attention of educators, scientists, and government officials in most countries has been directed toward early childhood and youth, but attention is now shifting toward the elderly.

The number of persons age 60 or older in the world is expected to increase from 376 million in 1980 to 1.121 billion in 2025. At the same time, this age group as a proportion of the total world population is expected to increase from 8.5 percent to 13.7 percent during that period. This will result in a world population in which one out of every seven individuals will be 60 years of age or older by the year 2025.

CHART 1-11

WORLD POPULATION 60 YEARS AND OLDER
FOR DEVELOPED AND DEVELOPING COUNTRIES
1950-2025



SOURCE: United Nations; Introductory Document: Demographic Considerations, Report of the Secretary General, World Assembly on Aging

(Note: Statistics in this section are taken from: The United Nations World Assembly on Aging Introductory Document: Demographic Considerations, Report of the Secretary General.)

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There is a substantial difference in the projected rates of aging of the population in developed (industrialized) and developing (nonindustrialized) countries (chart 1-11). In fact, the 1980's marks a turning point in which the number of people 60 years and older are about evenly divided between developed and developing countries (48 and 52 percent). However, by the year 2025, the 60-plus group is expected to equal 315 million in the developed regions and 806 million in the developing regions. If these projections hold true, only 28 percent of the world's older persons will reside in currently industrialized countries, while 72 percent will reside in developing countries.

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Chapter 2

GEOGRAPHIC DISTRIBUTION AND MOBILITY

On the average, older persons tend to move far less often than younger persons. This geographic stability of the older population is causing a graying of some areas of the country—where older persons have stayed on and younger persons have moved out. Other parts of the country—such as Florida—are also experiencing an aging of their population due to the migration of older persons during their early retirement years. These retirees tend to migrate to the "sunbelt States" and away from the northeastern States, following a general migration pattern that is occuring throughout the country. There is also recent evidence of a new trend occurring called "countermigration" in which a small number of older persons, who moved from one State to another at retirement, return home or to a State in which family members live.

(Note: Unless otherwise noted, statistics in this chapter on the geographic distribution of the elderly in 1980 are from the U.S. Bureau of the Census, 1980 Decennial Census of the Population. Statistics for growth from 1980 to 1984 are from the Bureau of the Census and were compiled by the Congressional Research Service.)

The following section describes these trends in further detail.

A. STATES

Over Half of the Country's Elderly Live in Eight States

In 1984, almost half the elderly were living in eight States: California, New York, Florida, Pennsylvania, Texas, Illinois, Ohio, and Michigan. All of these States had over 1 million persons age 65-plus (table 2-1). There is a temendous range of elderly persons within States. Alaska, for instance, had the smallest number of elderly persons in 1984, 3 percent of its total population (15,000). At the same time, Alaska, along with Nevada, also experienced the largest increases in their elderly populations between 1980 and 1984.

In 1984, Florida was the State with the largest proportion of residents age 65-plus (17.6 percent). Arkansas, Rhode Island, Pennsylvania, Iowa, Missouri, South Dakota, Nebraska, Massachusetts, Kansas, West Virginia, and Maine followed with 13 to 14 percent. Most States had at least a 50-percent increase in the number of persons 85 and over between 1970 and 1980 while Arizona, Florida, and Nevada experienced more than a doubling in the size of their 85-plus population. During this decade, Nevada experienced the largest increase of persons 65 and over, 113 percent, and New York, the smallest, 10.8 percent.

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TABLE 2-1.—GROWTH OF EACH STATE'S ELDERLY POPULATION: 1970–80 AND 1980–84

[Numbers in thousands]

State	1980 all ages		1980: 65 plus			1984: 65 plus			Percent increase 1970–80	Percent increase 1980–1984*
	Number	Rank	Number	Rank	Percent	Percent	Number	Rank		
Alabama	3,894	22	440	19	11.3	476	24	11.9	35.0	8.3
Alaska	402	51	12	51	2.9	15	51	3.0	67.7	32.6
Arizona	2,718	29	307	28	11.3	375	25	12.3	90.4	21.9
Arkansas	2,286	33	312	27	13.7	336	2	14.3	31.4	7.4
California	23,668	1	2,414	1	10.2	2,693	34	10.5	34.1	11.5
Colorado	2,890	28	247	33	8.6	280	46	8.8	31.6	13.4
Connecticut	3,108	25	365	26	11.7	407	18	12.9	26.3	11.6
Delaware	594	48	59	48	10.0	67	36	10.9	35.0	13.8
D.C.	638	47	74	46	11.6	75	20	12.0	4.9	1.5
Florida	9,746	7	1,688	3	17.3	1,931	1	17.6	70.6	14.4
Georgia	5,463	13	517	16	9.5	577	41	9.9	40.6	11.7
Hawaii	965	39	76	45	7.9	94	49	9.0	72.4	22.9
Idaho	944	41	94	41	9.9	108	37	10.8	38.2	14.9
Illinois	11,427	5	1,262	6	11.0	1,356	29	11.8	15.4	7.5
Indiana	5,490	12	585	13	10.7	638	31	11.6	18.5	8.9
Iowa	2,913	27	388	24	13.3	410	4	14.1	10.7	5.9
Kansas	2,364	32	306	29	13.0	323	8	13.2	15.1	5.6
Kentucky	3,661	23	410	21	11.2	438	27	11.8	21.5	6.8
Louisiana	4,206	19	404	22	9.6	435	39	9.7	31.8	7.5
Maine	1,125	38	141	36	12.5	152	11	13.1	23.0	7.6
Maryland	4,217	18	396	23	9.4	447	42	10.3	32.0	13.0
Masschusetts	5,737	11	727	10	12.7	777	10	13.4	14.2	6.9
Michigan	9,262	8	912	8	9.9	1,007	38	11.1	21.2	10.3
Minnesota	4,076	21	480	18	11.8	517	17	12.4	17.3	7.7
Mississippi	2,521	31	289	31	11.5	306	21	11.8	30.1	5.9
Missouri	4,917	15	648	11	31.2	682	5	13.6	15.6	5.3
Montana	787	44	85	43	10.8	96	32	11.7	23.0	13.2
Nebraska	1,570	35	206	35	13.1	216	7	13.4	12.1	4.8
Nevada	800	43	66	47	8.2	87	47	9.5	112.3	32.2
New Hampshire	921	42	103	40	11.2	114	28	11.7	31.3	10.6
New Jersey	7,365	9	860	9	11.7	942	19	12.5	23.4	9.6
New Mexico	1,303	37	116	38	8.9	135	45	9.5	64.2	16.6
New York	17,558	2	2,161	2	12.3	2,247	13	12.7	10.2	4.0
North Carolina	5,882	10	603	12	10.2	688	35	11.2	45.7	14.1
North Dakota	653	46	80	44	12.3	87	14	12.7	21.2	7.6
Ohio	10,798	6	1,169	7	10.8	1,280	30	11.9	17.2	9.5
Oklahoma	3,025	26	376	25	12.4	401	12	12.2	25.5	6.5
Oregon	2,633	30	303	30	11.5	344	22	12.9	33.8	13.4
Pennsylvania	11,864	4	1,531	4	12.9	1,676	9	14.1	20.3	9.5
Rhode Island	947	40	127	37	13.4	138	3	14.3	22.1	8.7
South Carolina	3,122	24	287	32	9.2	331	44	10.0	50.5	15.1
South Dakota	691	45	91	42	13.2	96	6	13.6	13.1	5.8
Tennessee	4,591	17	518	15	11.3	566	26	12.0	34.8	9.4
Texas	14,229	3	1,371	5	9.6	1,514	40	9.5	38.2	10.4
Utah	1,461	36	109	39	7.5	128	50	7.7	40.8	16.9
Vermont	511	49	58	49	11.4	63	23	11.9	22.5	7.8
Virginia	5,346	14	505	17	9.5	572	43	10.1	38.1	13.2
Washington	4,132	20	432	20	10.4	492	33	11.3	34.0	14.0
West Virginia	1,950	34	238	34	12.2	255	15	13.1	22.3	7.1
Wisconsin	4,705	16	564	14	12.0	611	16	12.8	19.3	8.4
Wyoming	470	50	37	50	7.9	42	48	8.2	23.1	12.3

* Based on unrounded numbers.

Source: U.S. Bureau of the Census, Decennial Census of the Population and State Population Estimates, by Age and Components of Change: 1980 to 1984. Current Population Report, Series P-25, No. 970.

The traditional notion of Florida as the State with the greatest concentration of elderly persons is borne out by the statistics. In fact, the proportion of 65-plus persons in Florida is now about what

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it will equal for the rest of the States in the year 2020. Florida is also the Nation's oldest State with a median age of 34.7 in 1980 as compared with the youngest State, Utah, with a median age of 24.4. The three large metropolitan areas in 1980 with the greatest proportion of elderly in the United States were all in Florida—more than 20 percent of the population of the Fort Lauderdale-Hollywood and Tampa-St. Petersburg metropolitan areas were elderly. In the Miami area, one in six persons was elderly. These three Florida cities also had the largest proportions of persons age 75-plus (7 to 8 percent) and 85-plus (1.3 to 1.7 percent) although these proportions were not much above the national average. Houston, TX, was the metropolitan area with the smallest percentage of elderly in 1980, with less than 7 percent. In absolute numbers, only the New York metropolitan area had over 1 million elderly residents.

B. SUBURBS

In 1980, for the First Time, a Greater Number of 65-Plus Persons Lived in the Suburbs Than in the Central Cities

The growth of the suburban elderly population has touched every major region of the United States. According to results of a nationwide sample of 2,300 suburbs, the average suburban population in 1980 was 11.8 percent elderly.[1] For the first time, in 1980, a greater number of older persons lived in the suburbs (10.1 million) than in central cities (8.1 million). Older persons are found disproportionately in suburbs which were established before World War II. These older suburbs also have lower average resident income levels, more rental housing, lower home values, and higher population densities.

(Note: Statistics describing the graying of the suburbs should not be confused with those that document that more elderly live in metropolitan areas than nonmetropolitan (primarily rural) areas. Generally, most suburbs are included in metropolitan statistics making interpretation difficult. For instance, according to the 1980 census, almost two-thirds of the elderly lived in "metropolitan areas"—many of which include outlying areas that are defined as suburbs by other measures.)

C. COUNTIES

Rural and Small Town Counties With High Proportions of Elderly Persons Are Areas Where the Elderly Have Stayed and Younger Persons Have Moved

Counties with a high percentage of elderly are distributed all across the country (see map). There are now over 500 rural and small town counties in which persons 65 and over make up at least 16 percent of the total population; in 178 counties, the elderly make up over 20 percent of the total population. Over 50 percent of these counties, especially in the Nation's heartland, are agricultural areas where the older population has stayed on while the younger generation has moved out. Heavy out-migration of the young and relatively low fertility have contributed to a high proportion of elderly in such States as Iowa, Kansas, Missouri, Nebraska, South

[1] Logan, John R. The Graying Of The Suburbs. Aging. 1984.

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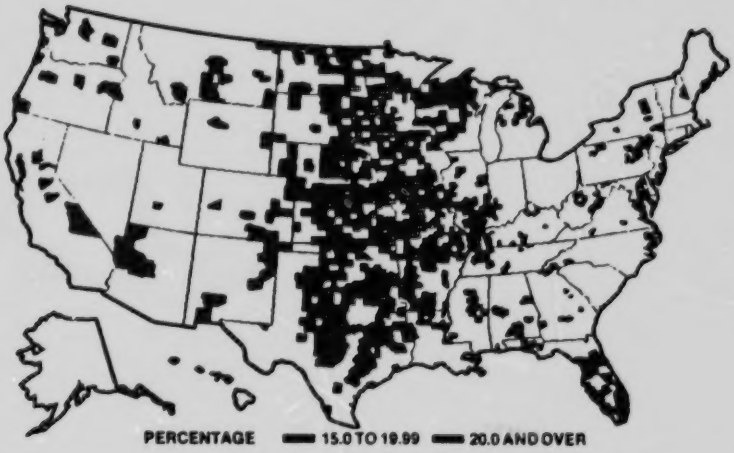
Dakota, Arkansas, Maine, Massachusetts, Rhode Island, and Pennsylvania. Other areas with an exceptionally high proportion of older persons are those to which the older population has relocated in retirement, such as Florida, the Ozark plateau in Arkansas, and the Texas hill country.

PERCENTAGE OF POPULATION 65 YEARS AND OLDER
COUNTIES WITH 15 PERCENT OR MORE
1980



SOURCE: U.S. Bureau of the Census, Decennial Census of the Population, 1980

D. MOBILITY

Older Persons Change Residences Less Often Than Younger Persons, But Those Who Move Tend To Migrate to the Sunbelt

Today's older generation tends to remain where they have spent most of their adult lives. For both adults and children, rates of moving decline with increasing age. The highest rate of moving is among adults in their early twenties. Between 1982 and 1983, only 4.9 percent of older persons moved, compared to 34.5 percent of 20 to 24 year olds and 16.6 percent of persons of all ages.[2]

In recent years, the number of older persons who move has been increasing. Estimates from the Retirement Migration Project, using data from the U.S. Bureau of the Census, show a 50-percent increase in the number of older persons who reported migrating from State to State during the 1970's, as compared to a decade earlier. Of the 1,662,520 Americans over the age of 60 who moved out-of-State during the second half of the 1970's, nearly half went to five States: Florida, California, Arizona, Texas, and New Jersey (chart

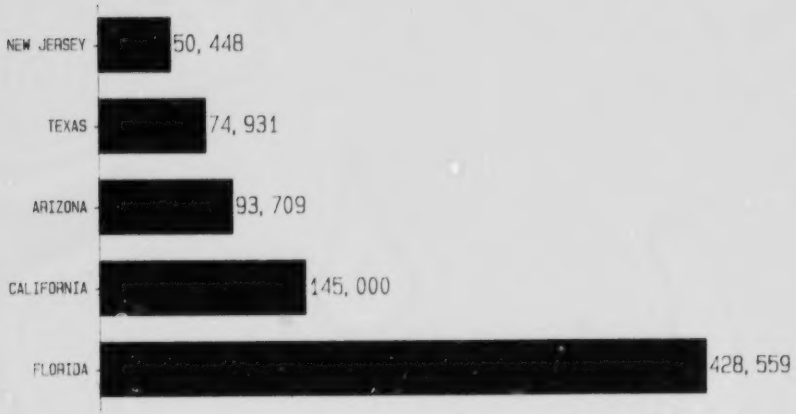
[2] U.S. Bureau of the Census. Prepared by Cynthia M. Taeuber. America in Transition: An Aging Society. Series P-23, No. 128.

2-1). Three States had an especially large increase in the numbers of older immigrants between 1960 and 1980. Arizona showed a 215-percent increase, Texas a 191-percent increase, and Florida a 110-percent increase. Florida captured over a fourth of all the interstate migrants over age 60 during the last two decades. New York is the top contributor of elderly State-to-State movers while California is second, Illinois third, and Florida and New Jersey fourth and fifth (chart 2-2). Elderly migration is essentially a mirror of a national trend where State-to-State movers are leaving the Northeast and Midwest and moving into the sunbelt States of the South and West.

(NOTE: Data in this section on elderly migration are taken from The Retirement Migration Project; The Center For Social Research in Aging; The University of Miami; September 1984.)

CHART 2-1

INCREASE IN ELDERLY BY STATE
1975-1980



SOURCE: The Retirement Migration Project, Center for Social Research in Aging, University of Miami, September 1984

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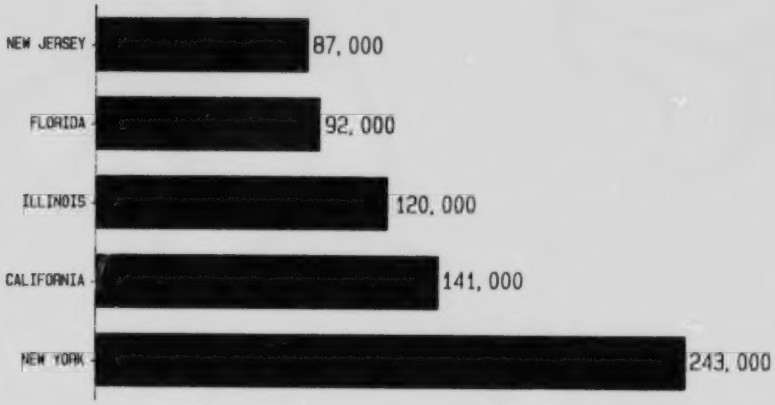
CHART 2-2

ELDERLY EMIGRATION BY STATE: 1975-1980



SOURCE: The Retirement Migration Project, Center for Social Research in Aging, University of Miami, September 1984

Older persons who move from State to State are relatively affluent, well-educated and are frequently accompanied by a spouse. Many older persons who move to nonmetropolitan areas are motivated by positive images of rural or small town life or negative views of metropolitan life. Most have pre-existing ties to the new area, such as family, friends, or property.

E. COUNTERMIGRATION

Some Sunbelt Retirees "Countermigrate" to Their Home States

Some 60-plus persons who migrated to the sunbelt in their early retirement years return to their home States or to States outside the sunbelt to be near their children. This trend, called countermigration, is relatively small in absolute numbers, but is statistically significant. Results of the Retirement Migration Project demonstrated that Florida lost significant numbers of elderly migrants to States outside the sunbelt—namely Michigan, New York, Ohio, and Pennsylvania, all States which also send migrants to Florida. For instance, from 1970 to 1980, more than 9,000 residents of Florida moved to New York, which, for 56 percent of them, was the State of their birth. The average age of these countermigrants was 73 years. This was more than double the number who moved to New York from Florida during the previous decade. Another sunbelt State, California, also lost migrants to other areas—but not to

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States which generally have large numbers moving to California. Those leaving the sunbelt are most likely to have incomes below the poverty line, and many are disabled or are living in institutions or homes for the aged.

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Chapter 3

ECONOMIC STATUS

Older Americans as a group have a lower economic status than other adults in our society. This largely results from changes in status often associated with aging: retirement from the work force, the death of a spouse, or a decline in health. In retirement, the elderly lose earnings and become reliant instead upon Social Security benefits supplemented with pensions and the assets they have accumulated over their own lifetimes. With limited potential to improve their income through their own work, the elderly become economically vulnerable to circumstances over which they have no control: the loss of a spouse, deterioration of their health and self-sufficiency, Social Security and Medicare legislation, and inflation.

In recent years, there has been a growing perception that the economic status of the elderly as a group has improved significantly, and that they now have economic resources approximating those of the younger working population. Counting cash income alone, there remains a substantial discrepancy between the young and the old. However, the elderly have economic benefits and resources other than cash which enable them to meet their needs in retirement. If all of these additional resources could be converted to a cash value, the economic status of the elderly as a group would be closer to that of the nonelderly.

However, the economic status of the elderly is far more varied than that of any other age group. While some older persons have substantial resources, a surprising number have practically none. Comparisons of average statistics conceal the simple fact that an unusually high proportion of the elderly have incomes and other economic resources below or just barely above the poverty level.

A. MEDIAN CASH INCOME

Older People Have Substantially Lower Cash Incomes Than Those Under 65

Compared strictly on the basis of money income, persons 65 and older, on average, receive substantially less income than those under 65. In 1984, the median income of families with heads aged 65 or older was $18,118, about 62 percent of the median income of families with heads aged 25 to 64 ($28,972) (see table 3-1). The median income of elderly individuals not living in families was $7,286, about half that of nonelderly individuals ($15,028).

(Note: Many of these statistics were provided by Ed Welniak of the U.S. Bureau of the Census.)

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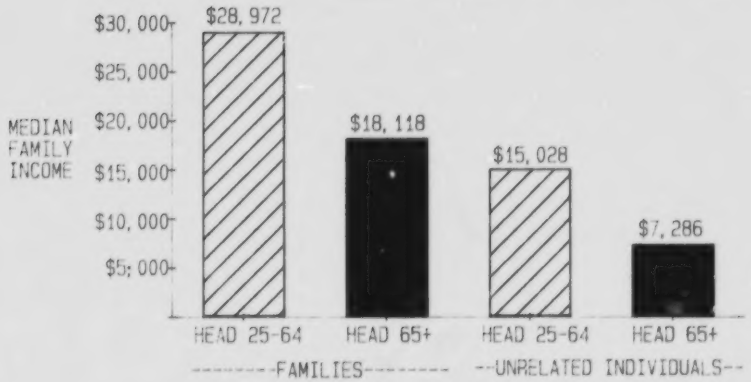
CHART 3-1

1984 MEDIAN FAMILY INCOME
OLDER AND YOUNGER FAMILIES AND UNRELATED INDIVIDUALS



SOURCE: U.S. Bureau of the Census, March 1985, Current Population Survey

TABLE 3-1.—MEDIAN FAMILY INCOME, 1984: OLDER AND YOUNGER FAMILIES AND UNRELATED INDIVIDUALS

Family type and age of head	Median family income
Families:	
25 to 64	$28,972
65 and over	18,118
Unrelated individuals:	
25 to 64	15,028
65 and over	7,286

Source: Unpublished Data from the March 1985 Current Population Survey. Table prepared by CRS.

(NOTE: These data differ slightly from those reported in Table 3-9 because the Census Bureau calculates medians using grouped data and CRS used individual records.)

The distribution of money income is substantially more unequal among the elderly than it is among the nonelderly. In 1984, 39 percent of the families with a head age 65 or older had money incomes below $15,000, compared to only 21 percent of the nonelderly families. There is a greater concentration of nonelderly families than elderly families at the very lowest income level, indicating the better income protection available for the elderly poor as opposed to the nonelderly poor. (See chart 3-2.)

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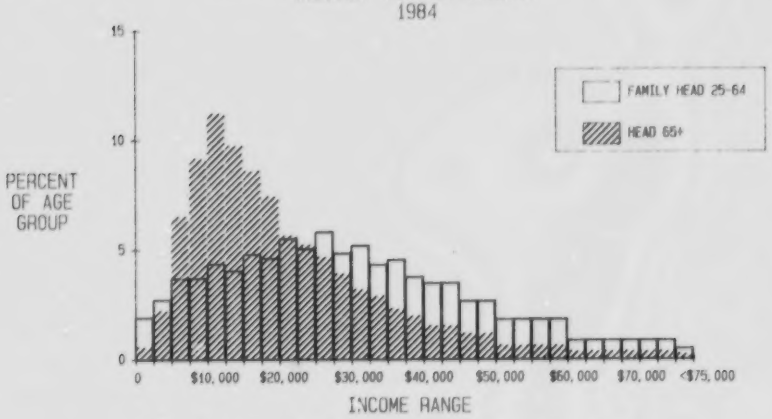
[CHART 3-2]
DISTRIBUTION OF MONEY INCOME OF FAMILIES
ELDERLY AND NON-ELDERLY
1984



SOURCE: U.S. Bureau of the Census, Current Population Reports, Unpublished Data

B. POVERTY STATUS

While the Elderly Are About as Likely as the Nonelderly To Be Poor, a Greater Proportion of the Elderly Live Near Poverty

Elderly persons are more likely than other adults to be poor. However, when children are also considered, elderly poverty rates are slightly below poverty rates for the rest of the population. In 1984, 12.4 percent of persons 65 and older had incomes below the poverty level, compared to 11.7 percent of those age 18 to 64 and 14.7 percent of all persons under age 65.[1]

The elderly are much more likely than the nonelderly, however, to have low incomes just above the poverty level. In 1984, 16.7 percent of persons aged 65 and older were in families with incomes between the poverty level and one-and-one-half times the poverty level. At the same time, only 9.1 percent of those under age 65 were in families with incomes which fell within this range. (See chart 3-3.)

[1] Poverty is a measure of the adequacy of money income in relation to a minimal level of consumption (the poverty level). This level is fixed in real terms and adjusted for family size. The dollar values of the poverty levels are adjusted each year to reflect changes in the consumer price index (CPI). In 1984, the poverty level for a family of four was $10,609, and the poverty level for an elderly couple was $6,282.

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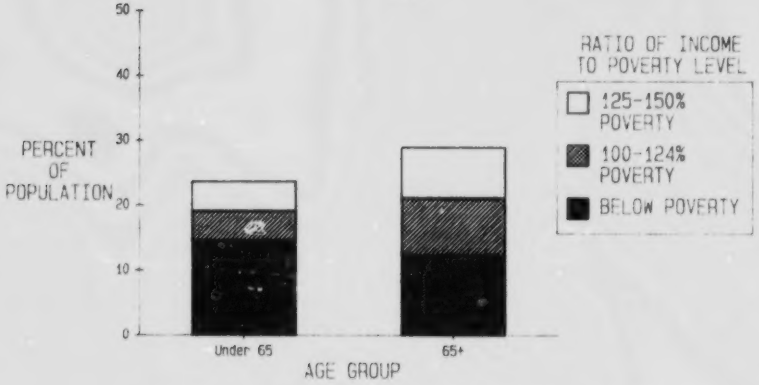
CHART 3-3

PERCENT OF ELDERLY AND NON-ELDERLY POPULATION BELOW AND NEAR POVERTY LEVEL
1984



SOURCE: U.S. Bureau of the Census, March 1985, Current Population Survey

TABLE 3-2.—PERCENT OF ELDERLY AND NONELDERLY PERSONS BY RATIO OF INCOME TO POVERTY, 1984

Ratio of income to poverty level	Age	
	Under 65	65 and older
Below poverty	14.7	12.4
100 to 124 percent poverty	4.5	8.8
125 to 150 percent poverty	4.6	7.9
Total below 150 percent	23.8	29.1

Source: U.S. Bureau of the Census, Special tabulation of March 1985 Current Population Survey

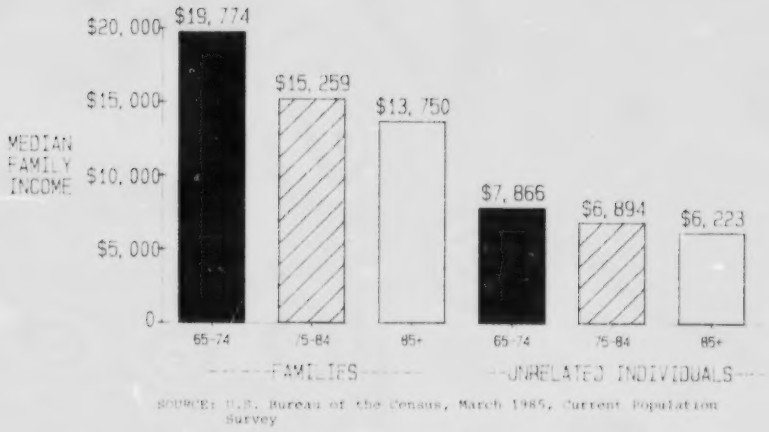
C. AGE AND INCOME

The Oldest Among the Elderly Have the Lowest Money Incomes

Persons who are 85 years of age or older have significantly lower money incomes than those who are 65 to 74 or 75 to 84 years of age. In 1984, the median cash income of couples aged 85 and older ($13,750) was less than three-quarters the median cash income of couples aged 65 to 74 ($19,774). The median income for single persons aged 85 and older ($6,223) was about 85 percent of the income of singles aged 65 to 74 ($7,866) (table 3-3).

CHART 3-4

MEDIAN FAMILY INCOME OF ELDERLY FAMILIES AND UNRELATED INDIVIDUALS 1984



SOURCE: U.S. Bureau of the Census, March 1985, Current Population Survey

TABLE 3-3.—MEDIAN FAMILY INCOME, 1984, OLDER AND YOUNGER FAMILIES AND UNRELATED INDIVIDUALS

	Median family income
Families	
Family head's age	
25 to 64	$28,972
65 and over	18,118
65 to 74	19,774
75 to 84	15,259
85 and over	13,750
Unrelated individuals	
Age	
25 to 64	15,028
65 and over	7,286
65 to 74	7,866
75 to 84	6,894
85 and over	6,223

Note: Table prepared by CRS

Source: March 1985 Current Population Survey

In addition, the oldest elderly are the most likely to have incomes below or just above the poverty level (chart 3-5). In 1984, the poverty rate for persons 85 and over was nearly twice that of the 65 to 74 year age group (18.4 percent for persons 85 and over compared to 10.3 percent for those between 65 and 74 years).

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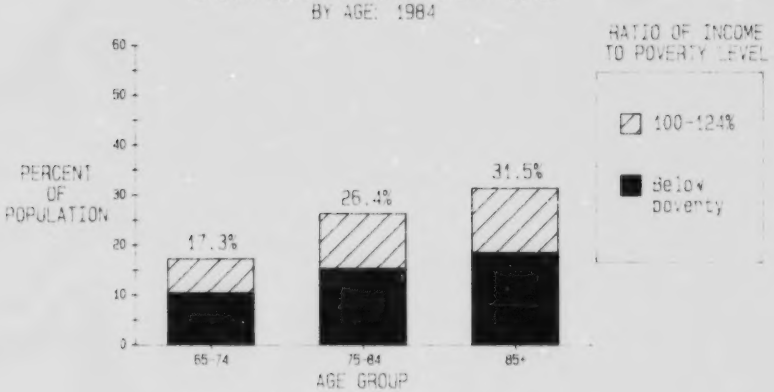
CHART 3-5

PERSONS BELOW AND NEAR POVERTY LEVEL BY AGE: 1984



SOURCE: U.S. Bureau of the Census, March 1985, Current Population Survey

D. SEX AND INCOME

Older Women Have Lower Money Income Than Older Men

The low money incomes of older women are largely associated with a pattern of lifelong economic dependency on men and with status changes that occur in old age. In 1984, the median income of elderly women was ($6,020) about 58 percent that of elderly men ($10,450). (See table 3-5.) As shown in table 3-4, older women in every age group were substantially more likely to be poor than men of the same age. Over all, only 8.7 percent of the men 65 and older were poor compared to 15 percent of the women. The oldest women were the poorest—one in five women 85 years of age and older was poor in 1984. While women accounted for about 60 percent of the elderly population in 1984, they accounted for nearly three-quarters (71.1 percent) of the elderly poor.

TABLE 3-4.—PERCENT OF OLDER PERSONS BY RATIO OF INCOME TO POVERTY BY AGE AND SEX, 1984

Ratio of income to poverty level	Age			Total 65 +
	65 to 74	75 to 84	85 plus	
Both sexes				
Below poverty	10.3	15.2	18.4	12.4
100 to 124 percent poverty	7.0	11.2	13.1	8.8
Male				
Below poverty	7.1	11.0	15.4	8.7
100 to 124 percent poverty	5.6	8.0	10.0	6.5
Female				
Below poverty	13.8	17.7	20.0	15.0
100 to 124 percent poverty	8.7	13.4	14.7	10.9

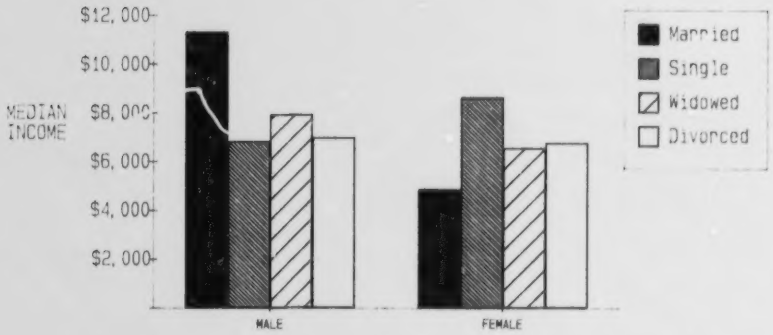
Source: U.S. Bureau of the Census, unpublished data from the March 1985 Current Population Survey

Women of every marital status had low personal incomes. Although married women had the lowest median income ($4,866) due largely to continuing dependence on the earnings or pension income of a male spouse, they were also likely to benefit from the income of a spouse, and married men had the highest median income ($11,317) of any group (table 3-5).

The economic status of women living alone was more precarious than that of married women due to the lack of additional financial support. In 1984, widows had the lowest median income of unmarried women ($6,568), reflecting the loss of pension income and earnings often associated with the death of a wage-earner spouse. The median income of widowed women was 83 percent of that of widowed men ($7,936), since men are more likely to have retained pension or earned income after the death of a spouse.

CHART 3-6

MEDIAN INCOME OF PERSONS AGE 65 AND OLDER BY MARITAL STATUS
1984



SOURCE: U.S. Bureau of the Census, March 1985, Current Population Survey

TABLE 3-5.—MEDIAN INCOME OF PERSONS AGE 65 AND OLDER BY MARITAL STATUS, 1984

Marital status	Both sexes	Male	Female
Married	$8,210	11,317	$4,866
Single	7,787	6,833	8,654
Widowed	6,746	7,936	6,568
Divorced	6,870	6,991	6,777
Total	7,519	10,450	6,020

Source: U.S. Bureau of the Census, unpublished data from the March 1985 Current Population Survey

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E. RACE AND INCOME

Minority Elderly Have Low Money Incomes

Black and Hispanic elderly have substantially lower money incomes than their white counterparts. As shown in table 3–6, in 1984, the median income of black males aged 65–69 was about 59 percent of white males and that of Hispanic males aged 65–69 was about 69 percent of white males. Black and Hispanic women also had lower median incomes than their white counterparts. The median income of black women aged 65–69 was 68 percent of white women and that of Hispanic women of the same ages was 67 percent.

TABLE 3–6.—MEDIAN INCOME OF PERSONS AGE 65 AND OLDER BY AGE, RACE, AND SEX, 1984

Race	Both sexes		Male		Female	
	65 to 69	70 plus	65 to 69	70 plus	65 to 69	70 plus
All races	$8,512	$7,045	$12,292	$9,407	$6,229	$5,950
White	8,971	7,457	12,749	9,853	6,527	6,225
Black	5,321	4,646	7,545	5,679	4,446	4,304
Hispanic	5,593	5,117	8,778	5,705	4,342	4,825

Source: U.S. Bureau of the Census, unpublished data from the March 1985 Current Population Survey

TABLE 3–7.—NUMBER AND PERCENT OF ELDERLY BELOW POVERTY BY RACE, SEX, AND LIVING ARRANGEMENT, 1984

	Living arrangement of persons below poverty level					
	Number (thousands)			Percent		
	In families	Unrelated individuals	Total	In families	Unrelated individuals	Total
White:						
Male	429	285	714	5.2	17.3	7.2
Female	463	1,402	1,865	5.8	22.5	13.1
Total	891	1,688	2,579	5.5	21.4	10.7
Black:						
Male	122	109	231	19.1	43.4	26.0
Female	171	308	479	21.3	56.6	35.5
Total	293	417	710	20.3	52.5	31.7
Hispanic:						
Male	43	30	73	15.5	40.0	20.7
Female	48	55	103	14.8	39.0	22.1
Total	90	86	176	14.9	39.8	21.5
All races:						
Male	558	401	959	6.1	20.8	8.7
Female	648	1,722	2,370	7.2	25.2	15.0
Total	1,207	2,123	3,330	6.7	24.2	12.4

Source: U.S. Bureau of the Census. Special tabulation from the March 1985 Current Population Survey

As shown in table 3–7, poverty rates are much higher among minority elderly than among white elderly. In 1984, the poverty rate among black elderly (31.7 percent) was triple, and among Hispanic

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elderly (21.5 percent), double, the poverty rate among white elderly (10.7 percent). Nearly half (45.6 percent) of all black older persons had incomes below 125 percent of the poverty level.

Poverty rates are higher for persons of all races who are not living in families. The highest rate of poverty is exhibited by minority women living alone. In 1984, over half of elderly black women not living with family had an income below the poverty level. (See table 3-7.)

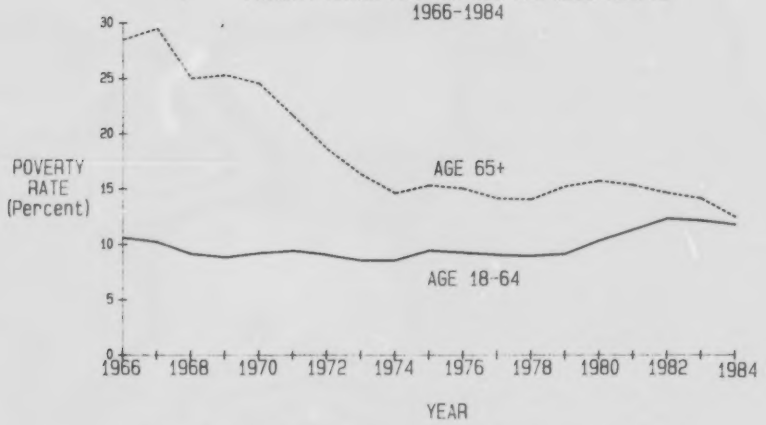
F. TRENDS, 1960-74

Most of the Relative Gains in Income for the Elderly Were Accomplished Between 1960 and 1974

In 1960, one in every three older Americans was poor—a rate of poverty twice that of nonelderly adults. During the 1960's and early 1970's, substantial gains occurred in the average income of the elderly due to a general increase in the standard of living and specific improvements in Social Security and employer-sponsored pension benefits. Those retiring during the period also increasingly benefited from lengthening periods of coverage under Social Security and pension plans. The most noticeable gains in the average income of the elderly came as a result of benefit increases enacted in Social Security between 1969 and 1972. Legislated cost-of-living increases from 1968 to 1971 raised benefits by 43 percent while prices increased by only 27 percent. The 1972 Social Security Amendments brought another 20 percent increase in benefits.

CHART 3-7

POVERTY RATES FOR NONAGED AND AGED ADULTS
1966-1984



SOURCE: U.S. Bureau of the Census, Current Population Surveys, 1968-85

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TABLE 3-8.—POVERTY RATES FOR NONAGED AND AGED

Year	Poverty rate for nonaged adults, 18 to 64	Poverty rate for the aged 65 plus
1959	17.4	35.2
1966	10.6	28.5
1967	10.2	29.5
1968	9.1	25.0
1969	8.8	25.3
1970	9.2	24.5
1971	9.4	21.6
1972	9.0	18.6
1973	8.5	16.3
1974	8.5	14.6
1975	9.4	15.3
1976	9.2	15.0
1977	9.0	14.1
1978	8.9	14.0
1979	9.1	15.2
1980	10.3	15.7
1981	11.3	15.3
1982	12.3	14.6
1983	12.1	14.1
1984	11.7	12.4

Prepared by CRS, updated to 1984 by U.S. Bureau of the Census.

The resulting improvement in the economic status of the elderly was significant. The poverty rate among those 65 and older was halved, declining from 28.5 percent in 1966 to 14.6 percent in 1974. During this period, the poverty rate among nonelderly adults declined less substantially from 10.6 percent in 1966 to 8.5 percent in 1974. The median income for families with a head 65 and older rose in constant (1984) dollars by nearly a third—from $11,666 in 1966 to $15,807 in 1974. Growth in the median income for families with a head under 65 also rose in constant (1984) dollars over this period, but not nearly as rapidly as that of elderly families—from $26,072 in 1966 to $30,288 in 1974. (See table 3-9.)

G. TRENDS, 1974-84

Increasing Poverty Among the Nonelderly Has Continued To Close the Gap in the Economic Status of the Elderly and Nonelderly

Economic stagnation in the late 1970's and early 1980's slowed real income increases for all age groups. The nonelderly, still in the workforce, were more directly affected by the two recessions in this period than were the elderly. While real incomes of the nonelderly remained relatively constant during this period, the real incomes of the elderly rose slowly. Underlying the slow rise in elderly income was a growth in Social Security benefits resulting from the retirement of new generations with better wage records. Automatic annual cost-of-living adjustments (COLA's) in Social Security, which went into effect in 1975, served to keep the real benefits of those already retired from declining.

As a result, the gap in income between the elderly and nonelderly has continued to narrow since 1974. The median income of fami-

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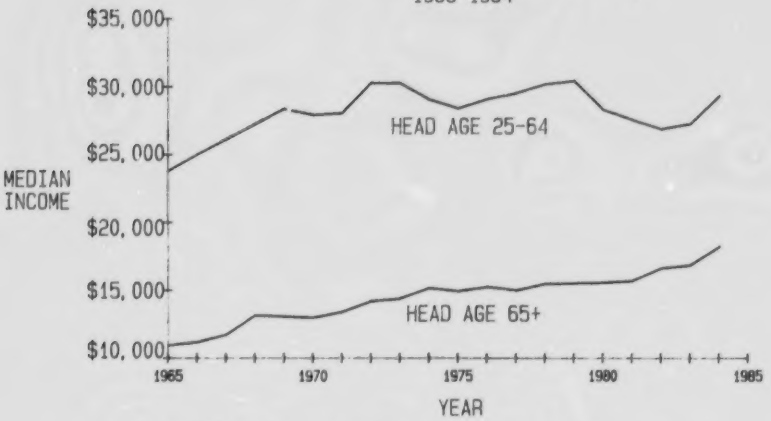
lies with a head 65 and older rose in constant (1984) dollars from $15,807 in 1974 to $18,215 in 1984. The median income of families with a head under age 65 declined slightly in constant (1984) dollars from $30,288 in 1974 to $29,292 in 1984. (See table 3-9.)

CHART 3-8

MEDIAN FAMILY INCOME - AGED AND NON-AGED FAMILIES
(1984 Constant Dollars)
1965-1984



SOURCE: U.S. Bureau of the Census, Current Population Surveys, 1968-85

TABLE 3-9.—MEDIAN FAMILY INCOME, 1965-84, ELDERLY AND NONELDERLY FAMILIES

	Median family income (1984 dollars)		Median family income (actual dollars)		CPI
	Head aged 25 to 64	Head aged 65+	Head aged 25 to 64	Head aged 65+	
1965	$24,812	$11,391	$7,537	$3,460	94.5
1966	26,072	11,666	8,146	3,645	97.2
1967	27,231	12,220	8,753	3,928	100.0
1968	28,396	13,710	9,511	4,592	104.2
1969	29,574	13,609	10,438	4,803	109.8
1970	29,101	13,519	10,879	5,053	116.3
1971	29,253	13,985	11,406	5,453	121.3
1972	31,574	14,818	12,717	5,968	125.3
1973	31,545	15,020	13,496	6,426	133.1
1974	30,288	15,807	14,380	7,505	147.7
1975	29,587	15,549	15,331	8,057	161.2
1976	30,332	15,913	16,624	8,721	170.5
1977	30,785	15,615	17,960	9,110	181.5
1978	31,467	16,146	19,764	10,141	195.4
1979	31,732	16,196	22,175	11,318	217.4
1980	29,487	16,237	23,392	12,881	246.8
1981	28,709	16,371	25,138	14,335	272.4
1982	27,981	17,344	26,003	16,118	289.1
1983	28,402	17,580	27,243	16,862	298.4
1984	29,292	18,215	29,292	18,215	311.1

Source: U.S. Bureau of the Census, Current Population Reports, Series P-60, 1965-84.

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Poverty rates have shown a similar trend. The poverty rate among the elderly has remained fairly stable throughout much of this period but declined steadily from 15.7 percent in 1980 to 12.4 percent in 1984. At the same time, the poverty rates among adults under age 65 have risen dramatically from 8.5 percent in 1974 to 11.7 percent in 1984. (See table 3-8.)

Income levels in 1984 marked a change in the pattern of recent years. Wage earners realized real gains in income from 1983 to 1984. The median income of families with a head 65 and older rose slightly in constant (1984) dollar terms from $17,580 in 1983 to $18,215 in 1984, while the median income of families with a head under 65 also increased from $28,402 in 1983 to $29,292 in 1984.

H. COMPOSITION OF INCOME

The Elderly Rely Heavily on Social Security Benefits and Asset Income

The elderly depend more heavily on Social Security for their income than they do on any other source. In 1984, 38 percent of all income received by aged units came from Social Security.[2] Nine out of every 10 aged units was receiving some income from Social Security, and 13 percent of the aged units received all of their income from Social Security. In all, 3 aged units in 10 (29 percent) depended on Social Security for 80 percent or more of their income. The elderly with the lowest incomes were the most dependent on Social Security benefits. In 1984, 77 percent of aggregate income received by aged units with incomes under $5,000 came from Social Security benefits. By contrast, only 20 percent of the aggregate income received by aged units with incomes of $20,000 or more came from Social Security.

[2] Information in section H about the income of aged units in 1984 comes from Susan Grad, Income of the Population 65 and Over, 1984, U.S. Department of Health and Human Services, Social Security Administration (forthcoming). An aged unit is either a married couple living together with one or both members 65 or older, or an individual 65 or older who does not live with a spouse. Income is measured separately from the income of the family or household in which the unit lives.

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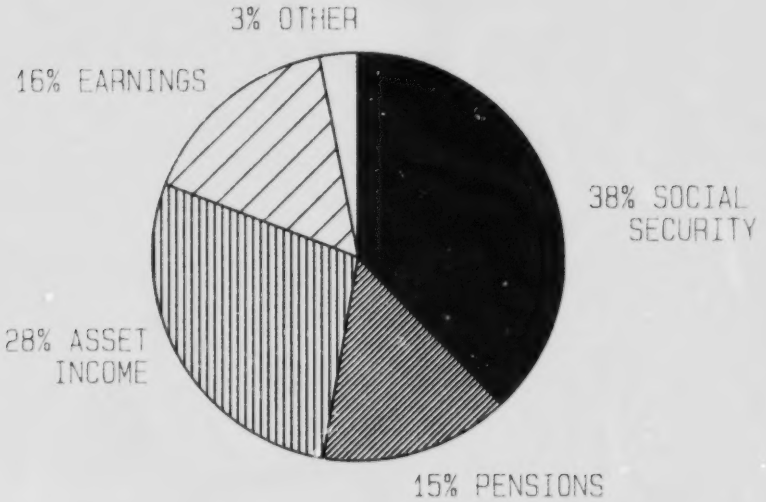
CHART 3-9

SHARES OF INCOME BY SOURCE
COUPLES AND UNMARRIED PERSONS AGED 65 AND OLDER
1984



SOURCE: Grad, Susan, Income of the Population 55 and Over, 1984, Social Security Administration, forthcoming

Income from assets was the second most important income source for the elderly. In 1984, 28 percent of the income received by aged units was income from assets. In recent years, savings and other asset income has grown in importance as a source of income, increasing from 16 percent of total income in 1962 to 22 percent by 1980. However, income from financial assets was unevenly distributed, with nearly one-third (32 percent) of the aged units reporting no asset income, and one-fourth (27 percent) of those with asset income reporting less than $500 a year. Only 33 percent of those who had asset income received more than $5,000 a year from this source.

Earnings were a particularly important source of income to the younger elderly, but declined in importance with age. Overall, 16 percent of the income of aged units came from earnings. Those aged 65 to 69 received 28 percent of their income from earnings, compared to only 4 percent for those aged 80 and older.

Employee pensions provided 15 percent of the income the elderly received. This share has remained fairly constant in recent years, and is similar for all but the oldest age group. Overall, three in

eight (38 percent) aged units received income from public and/or private pension benefits—one in four (24 percent) from private pensions.

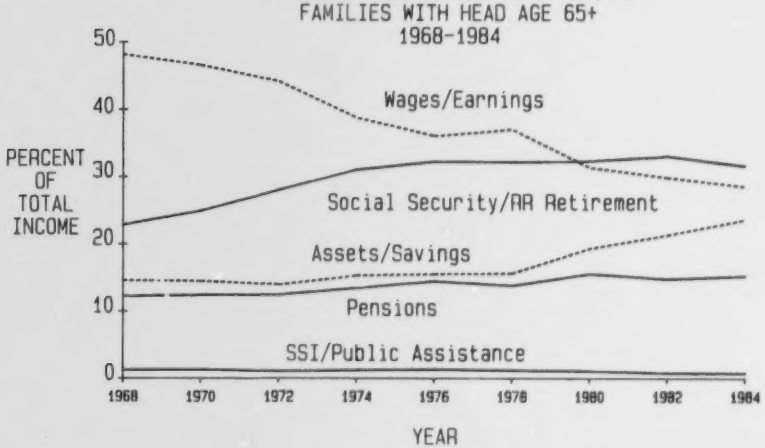
I. TRENDS IN COMPOSITION OF INCOME

Social Security Is Becoming an Increasingly Important Part of the Income of the Elderly, While Earnings Continue To Decline in Importance

The rapid growth in real benefit levels for the elderly during the late sixties and early seventies was accompanied by a substantial change in the composition of income the elderly received. In the late 1960's, families with heads 65 and older derived nearly half of their income from earnings, while only 23 percent of their income came from Social Security. Now, 20 years later, Social Security has surpassed earnings as the leading source of income for these families.

CHART 3-10

INCOME SHARES BY SOURCE OF INCOME
FAMILIES WITH HEAD AGE 65+
1968-1984



SOURCE: U.S. Bureau of the Census, Current Population Surveys, 1968-84, Unpublished Data

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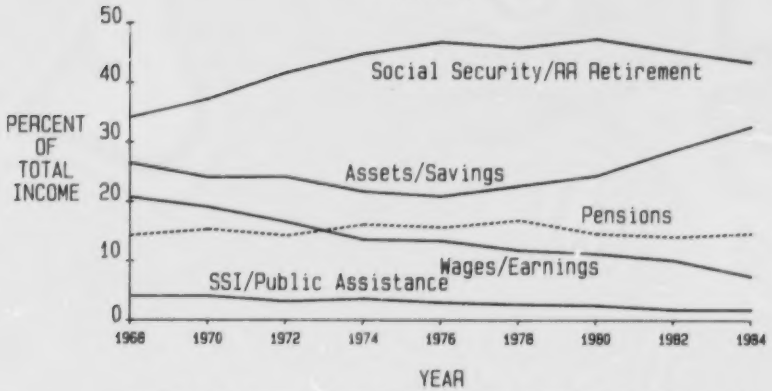
CHART 3-11

INCOME SHARES BY SOURCE OF INCOME
UNRELATED INDIVIDUALS 65+
1968-1984



SOURCE: U.S. Bureau of the Census, Current Population Surveys, 1968-84, Unpublished Data

TABLE 3-10.—SOURCE OF INCOME AS A PERCENTAGE OF INCOME, 1968-84

Year	Social Security/ railroad retirement	Asset income	SSI/Public assistance	Pensions	Earnings
Families with a head 65 and older:					
1968	22.9	14.6	1.3	12.3	48.2
1970	25.0	14.5	1.4	12.5	46.6
1972	28.1	14.0	1.1	12.5	44.2
1974	31.1	15.4	1.3	13.5	38.8
1976	32.3	15.6	1.4	14.5	36.1
1978	32.2	15.7	1.2	13.8	37.1
1980	32.4	19.4	1.1	15.6	31.4
1981	33.0	21.7	1.0	14.9	29.5
1982	33.1	21.4	0.8	14.8	29.9
1983	34.3	20.9	0.8	16.0	28.0
1984	31.6	23.7	0.8	15.3	28.6
Unrelated individuals 65 and older:					
1968	34.2	26.5	4.1	14.4	20.8
1970	37.3	24.1	4.1	15.4	19.1
1972	41.7	24.2	3.2	14.3	16.6
1974	44.9	21.7	3.7	16.2	13.6
1976	46.9	20.9	3.0	15.7	13.4
1978	45.9	22.7	2.7	16.9	11.8
1980	47.4	24.4	2.5	14.6	11.2
1981	45.9	26.6	1.9	14.1	11.5
1982	45.3	28.7	1.8	14.1	10.1
1983	44.0	28.7	1.9	15.5	9.8
1984	43.4	32.7	1.8	14.7	7.4

Source: U.S. Bureau of the Census, Current Population Reports Series P-60, 1965-85

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A substantial decline in the role of earnings has been the most notable feature of this change. The trend toward earlier retirement among older males has caused labor force participation rates of men 65 and older to drop from 33 percent in 1960 to 16.3 percent in 1984.[3] As a result, earnings, which accounted for 48 percent of elderly family income in 1968, accounted for only 29 percent by 1984.

Social Security grew in importance as a source of income to elderly families between 1968 and 1974, but its proportion of sources of income has remained relatively stable since then. The proportion of elderly family income coming from Social Security benefits increased from 23 percent in 1968 to 31 percent in 1974, largely as a result of legislated benefit increases in the late 1960's and early 1970's. The proportion of elderly family income coming from Social Security has ranged between 32 and 34 percent for the last 10 years. In recent years, a particularly steep decline in the role of earnings has been offset by an increase in the role of assets and pensions as a source of income. This shift was most pronounced between 1978 and 1980, as assets increased from 15.7 to 19.4 percent, and pensions grew from 13.8 to 15.6 percent.

J. NONCASH RESOURCES

Older Persons Have Lower Economic Status Than Nonelderly Even When All Economic Factors Are Counted

Although the elderly have substantially lower average cash incomes than the nonelderly, they derive greater economic advantage than the nonelderly from the tax treatment of income, government in-kind transfers, lifetime accumulations of wealth, and family size. Some analysts contend that when these factors are taken into account, the average older person has economic resources roughly equivalent to those of younger persons.

Recent analyses of the distribution of resources suggests that while the consideration of noncash resources reduces some of the economic difference between the elderly and the nonelderly, large numbers of the elderly still have limited economic resources. An analysis prepared in 1984 using 1980 income data [4] indicates that, when all factors are considered, fewer elderly than nonelderly families have subpoverty resources but a larger percentage of the elderly families have economic resources just above poverty. The study, using the poverty level as a rough measure of relative well-being, found that while only 7.5 percent of elderly families remained below poverty—compared to 10.6 percent of the nonelderly—37.2 percent of the elderly remained within 200 percent of poverty—compared to only 27.8 percent of the nonelderly.

A. TAXES

The elderly as a group pay a smaller portion of their income in taxes than do the nonelderly. Four provisions in the tax code are of special significance to the elderly:

[3] U.S. Department of Labor, Bureau of Labor Statistics.
[4] ICF, Inc. Data on the Relative Economic Status of the Elderly and the Nonelderly in 1980. Washington, ICF, Inc., July 5, 1984.

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(1) The exclusion of veterans pension income and, for those with less than $25,000 (single)/$32,000 (joint) income, the exclusion of Social Security and railroad retirement benefits from taxation.

(2) The additional exemption for those over age 65.

(3) The one-time exclusion of capital gains from the sale of a home after age 55; and

(4) The elderly tax credit for low-income individuals with few or no Social Security benefits.

In addition, the tax burden of the elderly tends to be lighter than that of the nonelderly since most elderly no longer pay Social Security taxes (and their income tax payments tend to be based on a lower marginal tax rate).

Approximately 60 percent of the elderly paid no income taxes in 1981 due to low income and/or income largely excluded from taxation.[5] (Those elderly who do pay taxes, however, tend to pay taxes at a higher rate than nonelderly taxpayers.) Consideration of tax payments, thus, has a relatively slight effect on the income distribution of the elderly, with a noticeable reduction only at high levels of income. By comparison, the income of most nonelderly are reduced more substantially by the consideration of tax payments.

B. IN-KIND BENEFITS

Some analysts also contend that the difference in income between the elderly and nonelderly would be reduced if the analysis of income took into account the value of in-kind transfers. In-kind benefits, especially Government benefits, are of particular significance to the elderly since nearly every older person is covered by Medicare hospital and physician insurance. In addition, one elderly household in five receives at least one means-tested in-kind benefit, such as food stamps, publicly assisted housing, or Medicaid.[6] Nonelderly workers and their families benefit primarily from employee benefits, such as group health insurance, provided by employers but not counted as income by employees.

The inclusion of Medicare and other in-kind benefits in the incomes of the elderly causes an upward shift in the income distribution of the elderly, with the largest proportionate increases occuring at low income levels. (A similar but less pronounced upward shift occurs for the nonelderly.) The net effect of the inclusion of both taxes and in-kind benefits is to reduce the percentage of older persons at the highest and lowest income levels and increase the percentage in the middle of the income distribution.

C. ASSETS

The elderly as a group hold substantially more in assets than the nonelderly. Because of this difference, some analysts have suggested that a comparison of the economic well-being of the elderly and nonelderly should include a measurement of the income potential that exists in accumulated wealth.

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[5] From tabulations by staff of the Special Committee on Aging based on Internal Revenue Service, Statistics on Income 1981 (Washington: U.S. Gov't Print. Off., 1984).

[6] U.S. Bureau of the Census. Unpublished data from the March 1982 CPS.

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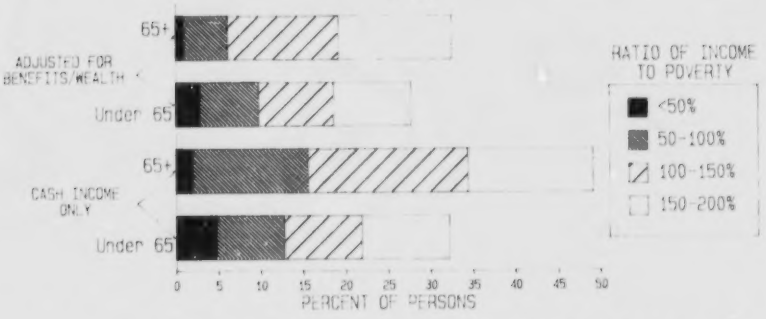
The fact that the elderly as a group hold more assets than the nonelderly is a result of normal life-cycle processes. People naturally tend to accumulate savings, home equity, and personal property over a lifetime. Although the elderly as a group hold greater assets than the nonelderly, these assets are concentrated among relatively few people. Most elderly individuals hold few or no financial assets. The wealth that they do hold exists primarily in the form of home equity. In 1980, nearly 75 percent of older persons owned their homes—80 percent of these "free and clear."

How the assets are measured as income has a great effect on the relative value of the assets at various ages. If the assets are converted to annuities—assuming they are to be consumed at a steady rate over the remaining life span—older people will, by definition, derive greater annual incomes than younger people from the same pool of assets. If the asset value is assumed to be the value of the services (such as rent) which the individual would otherwise have to purchase, then all individuals, regardless of age, will derive the same income from the same asset pool. This analysis uses an annuity measure to yield the highest possible income value for the elderly from their assets and to avoid biasing the results in favor of finding the old with fewer economic resources than the young.

CHART 3-12

POVERTY AND NEAR POVERTY STATUS OF ELDERLY AND NON-ELDERLY ON BASIS OF CASH INCOME AND ADJUSTED FOR BENEFITS AND WEALTH 1980



SOURCE: ICF, Inc. Data on the Relative Economic Status of the Elderly and Non-Elderly in 1980. Prepared for the Milbank Memorial Fund, 1984

The conversion of assets to an income stream has the greatest effect on the economic status of the elderly. The addition of annuitized assets to income (including benefits) only reduces the percentage of nonelderly below 200 percent of poverty from 28.7 to 27.7, while the same modification reduces the percentage of elderly in the same category from 44.4 to 32.5.

D. CONVERSION

With all economic resources measured, the elderly in 1980 were more likely to have limited resources than the nonelderly. Although a lower percentage of the elderly than nonelderly remained

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at the very lowest economic levels, a substantially higher percentage of the elderly had resources which raised them only barely above the lowest economic levels. While only 2.3 percent of the elderly, compared to 5.6 percent of the nonelderly, had resources which placed them on an income level below 75 percent of the poverty level; 32.5 percent of the elderly, compared to only 27.7 percent of the nonelderly, remained below 200 percent of the poverty level.

TABLE 3–11.—PERCENT OF PERSONS BY RELATIONSHIP OF INCOME TO POVERTY LEVEL USING ALTERNATIVE DEFINITIONS OF INCOME, BY AGE GROUP AND TYPE OF INCOME, 1980

Relationship of income to poverty level	Under 65			65 and older		
	Cash income	Cash income plus benefits	Cash income plus benefits and wealth	Cash income	Cash income plus benefits	Cash income plus benefits and wealth
Under:						
50 percent	4.8	3.1	2.9	2.0	1.5	0.9
75 percent	8.7	6.0	5.6	6.2	3.6	2.3
100 percent	12.8	10.3	9.8	15.6	10.1	6.2
125 percent	17.4	14.8	14.1	25.7	19.0	12.0
150 percent	21.9	19.4	18.6	34.4	28.5	19.2
200 percent	32.2	28.7	27.7	49.1	44.4	32.5

Source: ICF, Inc. Data on the Relative Economic Status of the Elderly and Nonelderly in 1980. Prepared for the Milbank Memorial Fund (Washington: ICF, Inc. July 1984).

In conclusion, while the availability of noncash resources was of greater economic benefit to the elderly than to the nonelderly in 1980; the conversion of these resources to cash income would still not have resulted in a better economic status for the elderly than for the nonelderly.

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Chapter 4

RETIREMENT TRENDS AND LABOR FORCE PARTICIPATION

With this century's dramatic increase in longevity, people are spending more time in all of life's major activities—in education, in work, and in retirement. Retirement is now an established institution and more and more older people are leaving work for retirement well before age 65. For those older persons who need or want to continue to work, however, unemployment and age discrimination are serious problems. Older workers who are unemployed stay out of work longer than younger workers, suffer a greater earnings loss in subsequent jobs than younger workers, and are more likely to become discouraged, giving up the job search altogether.

The following section describes the current labor force and retirement trends of older workers.

A. LIFETIME DISTRIBUTION OF EDUCATION, WORK, AND RETIREMENT

Retirement Is No Longer a Luxury, It Is Now an Institution

Increased longevity and changing social and work patterns have contributed to dramatic changes during this century in the distribution of time devoted to major life activities such as education, work, retirement, and leisure. Compared to a century ago, children are spending more time in school, both men and women in their middle years are spending more time in work, and older people are spending more time in retirement.

Retirement is now as much an expected part of a life course as family, school, or work. The portion of life spent in retirement has increased substantially since the beginning of this century (chart 4-1). In 1900, the average male had a life span of 46.3 years and only 1.2 years or 3 percent of that was spent in retirement. By 1980, the average male spent 20 percent of his 69.3 years in retirement, or 13.8 years. Thus, while life expectancy increased by 50 percent, average years in retirement increased 11 times.

(Note: Statistics for this section are from the following: Formal education for 1940 to 1970 from "Median School Years Completed," Bicentennial Edition—Historical Statistics of the United States, page 380; for 1900 from Best, F., Work Sharing: Issues, Policy Options and Prospects, Upjohn Institute for Employment Research, Kalamazoo, MI, 1981; for 1980, Bureau of the Census, Worklife Estimates from Smith, Shirley; New York Life Estimates, Bureau of Labor Statistics Bulletin 2157, November 1982. Life expectancy from Bureau of the Census.)

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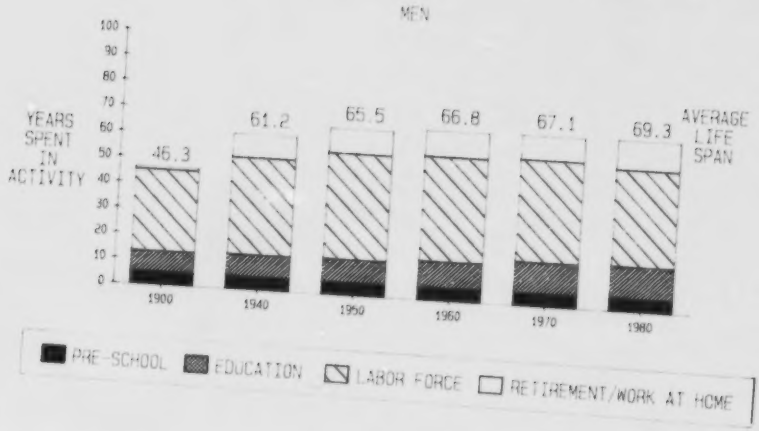
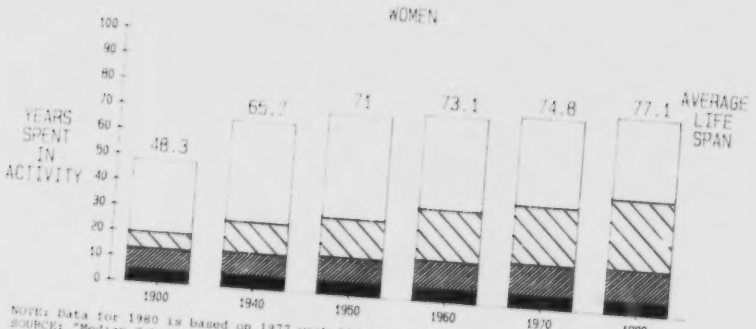
CHART 4-1

LIFECYCLE DISTRIBUTION OF EDUCATION, LABOR FORCE PARTICIPATION, RETIREMENT AND WORK IN THE HOME: 1900-1980





NOTE: Data for 1980 is based on 1977 work life estimates
SOURCE: "Median School Years Completed", Bicentennial Edition: Historical Statistics of the United States; Work Sharing: Issues, Policy Options and Prospects, Upjohn Institute for Employment Research, 1981, Bur. of Labor Statistics Bulletin 1982 Life Expectancy from U.S. Bureau of the Census

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On the average, males spent 5 more years in the labor force in 1980 than in 1900. Nonetheless, a smaller proportion of their lives were spent in the labor force, 55 percent, than in 1900 when males spent 69 percent of their lives working.

The number of years spent in school also increased for males from an average of 8 years to 12.6 years between 1900 and 1980. The proportion of time devoted to education, however, only increased from 17 to 18 percent.

Change in distribution patterns of major life activities are very different for women. As more women have entered the labor force, an historic increase has taken place in the proportion of time spent in work outside the home. Since 1900, the average number of years women spend in the labor force increased from 6.3 to 27.5 years and from 13 percent of the lifespan to 36 percent.

(NOTE: The data for labor force participation of women is necessarily skewed by the fact that, historically, women have worked within the home and have tended to interrupt their work during child-rearing years. Dramatic reductions in such interruptions are reflected by a decrease in the proportion of time women spend in retirement or work at home (60 percent in 1900 compared to 42 percent in 1980). A major factor influencing the surge in labor force participation for women is an increase from 2 to 13 years since the early part of the century in the average period of time left after child-rearing.)

B. RETIREMENT

MOST OLDER WORKERS RETIRE EARLIER THAN AGE 65

Since Social Security legislation was passed in 1935, age 65 has been commonly thought of as the "normal" retirement age. Today, however, most retirees leave work before they reach age 65. A 1978 national survey of American attitudes toward pensions and retirement found that almost two-thirds of retirees had left work before age 65.[1] The median age of retirement in this sample was 60.6. It is important to note that retirement is not necessarily synonymous with lack of employment. At the time of the survey, however, 81 percent of the retired respondents were not employed, 8 percent were employed part time and 5 percent were employed full time.

Early retirement may be a permanent fixture of the American economy. Even an increase in the eligibility age for full Social Security benefits is likely to have only minimal impact on future retirement ages. According to the National Commission for Employment Policy, the Social Security Amendments of 1983, in which Congress sought to delay the retirement age, research showed that a delay in Social Security benefits by 2 years in 2027 would have a minimal effect on the age of retirement and would only raise the average retirement age by about 3 months.[2] The study projected that other options, such as reducing early retirement benefits, would also have little affect on retirement age. According to the results of the study, people retire at a given age for a variety of reasons such as health, availability of private pension benefits, social

[1] Harris, Louis and Associates. A Nationwide Survey of Employees, Retirees, and Business Leaders, 1979.

[2] Fields and Marshall. Restructuring Social Security: How Will Retirement Ages Respond? National Commission On Employment Policy. Summer 1983.

expectations and long-held plans. Apparently, Social Security benefits are only a small factor in the retirement decision.

C. LABOR FORCE PARTICIPATION

Labor Force Participation Rates Decline With Age

Cross-sectional data demonstrates that the labor force participation of men and women declines steadily among older age groups (table 4-1).

In the third quarter of 1985, 88.5 percent of men age 50 to 54 and 60 percent of women in this age group were in the labor force. By age 60 or 61, only about 69 percent of men and 40 percent of women were with the labor force. Among those 70 and older, only about 10 percent of men and 4 percent of women were in the labor force.

(Note: People are considered to be a part of the labor force if they are either currently employed or unemployed but actively seeking work.)

TABLE 4-1.—LABOR FORCE PARTICIPATION BY AGE AND SEX, THIRD QUARTER 1985

[Numbers in thousands]

Labor force status [1]	60 to 64			65 plus		
	Total	Male	Female	Total	Male	Female
Civilian labor force	4,727	2,800	1,927	2,888	1,759	1,129
Labor force participation rate (percent)	43.5	55.4	33.1	10.7	15.8	7.1
Number employed	4,532	2,684	1,849	2,798	1,711	1,087

[1] Not seasonally adjusted

Note: The U.S. labor force includes workers who are employed and actively seeking employment. The participation rate is the percentage of individuals in a given group (e.g., age group) who are in the labor force.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey, unpublished.

(Note: This data presents a picture of specific age groups at one point in time and does not necessarily imply a trend that follows the aging process specifically.)

Workers who are age 55 to 64 make up close to 10 percent of the total U.S. work force, while 65-plus workers make up about 2.5 percent. In the third quarter of 1985, there were 12 million workers age 55 to 64 (7.1 million men and 4.9 million women) and 2.9 million workers age 65-plus (1.8 million men and 1.1 million women).

The Labor Force Participation of Older Workers Is Continuing To Decline

The labor force participation of elderly men has dropped rapidly over the last 30 years (chart 4-2). In 1950, almost 50 percent of all elderly men were in the labor force; by 1960, this figure had dropped to 33 percent and, by 1970, to 25 percent. By the third quarter of 1985 only 15.6 percent of elderly men were in the labor force (table 4-2). The drop is due in part to an increase in voluntary early retirement and a drop in self-employment. The decrease in male labor force participation extends even to men in their fifties. Between 1960 and 1985 the labor force participation rate among males aged 55 to 59 had dropped to 80 percent from its early level of almost 92 percent.

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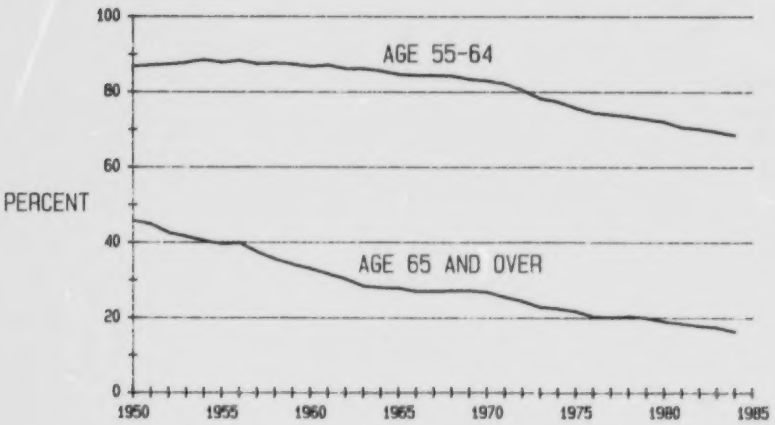
CHART 4-2

LABOR FORCE PARTICIPATION OF OLDER MEN
1950-1984



SOURCE: U.S. Bureau of the Census and Bureau of Labor Statistics

TABLE 4-2.—LABOR FORCE PARTICIPATION RATES BY AGE, SEX, AND RACE, THIRD QUARTER 1985

[Not seasonally adjusted]

Sex and race	Age					
	50 to 54 years	55 to 59 years	60 to 61 years	62 to 64 years	65 to 69 years	70 years and over
Total male	88.5	79.9	68.9	45.7	25.0	10.2
Total female	60.1	49.9	39.6	28.6	13.4	4.0
White male	89.7	81.2	69.6	46.4	25.2	10.3
White female	59.9	49.5	39.5	27.9	13.2	3.9
Black male	78.4	67.9	62.8	37.0	22.5	10.0
Black female	61.8	52.3	40.2	33.7	16.3	5.6

Labor force participation of elderly women has varied only slightly (chart 4-3). In 1950, about 10 percent of elderly women worked and by the third quarter of 1985 the percentage had dropped slightly to 7.1 percent. For women over the age of 70, labor force participation dropped from 6 percent to about 4 percent between 1950 and 1985. Over the same period, preretirement age women in the 55 to 64 age group have increasingly joined the work force: in 1950, only 27 percent of women in this age category worked, but by 1985 the proportion had risen to 41.6 percent. This is in marked contrast to labor force trends among men in the same age group and reflects the overall increase in labor force participation among women in general.

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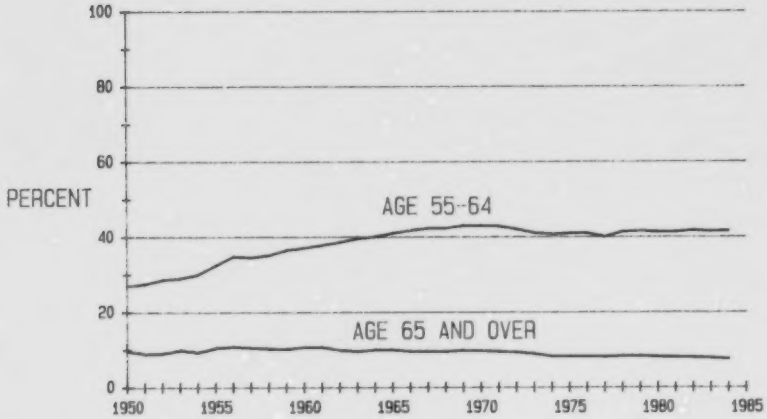
CHART 4-3

LABOR FORCE PARTICIPATION OF OLDER WOMEN
1950-1984



SOURCE: U.S. Bureau of the Census and Bureau of Labor Statistics

Historically, labor force participation for black women has been much higher than for white women. Over the last 30 years, however, the rates have converged so rapidly that, in the third quarter of 1985, about two percentage points separated the two groups (6.9 percent for elderly white females and 9.3 percent for elderly black males). The extent of labor force participation for older black females (14.8 percent) is lower today than the rate for older white men (15.9 percent), and it has fallen more rapidly in recent years.

Occupation Trends Are Shifting to Service and Light Industries

The U.S. economy has been shifting from agriculture and heavy industry to service and light industries. Labor force trends among older workers have mirrored this trend. In 1985, almost three-quarters of elderly workers were in managerial and professional; technical, sales and administrative support; and service occupations (tables 4-3 and 4-4 and chart 4-4). This shift from physically demanding or hazardous jobs to those in which skills or knowledge are the important requirements may increase the potential for older workers to remain in the labor force longer.

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TABLE 4–3.—NONAGRICULTURAL EMPLOYMENT BY INDUSTRY BY AGE, THIRD QUARTER 1985

(Not seasonally adjusted)

	Age		
	55 to 59	60 to 64	65 plus
Distribution (in percent):			
Mining	1	1	1
Construction	7	7	5
Manufacturing—durables	14	13	6
Manufacturing—nondurables	9	9	6
Transportation/Public utilities	8	6	4
Trade-wholesale and retail	17	19	24
Finance, insurance real estate	6	7	9
Services [1]	31	33	42
Public administration	6	5	4

[1] Excludes private household workers.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey, unpublished.

TABLE 4–4.—EMPLOYMENT BY OCCUPATION BY AGE, THIRD QUARTER 1985

(Not seasonally adjusted)

Occupation	Age		
	55 to 59	60 to 64	65 plus
Distribution (in percent):			
Managerial and professional	25	25	25
Technical, sales, administrative support	28	29	31
Service	13	14	18
Precision production, craft repair	14	12	7
Operators, fabricators, laborers	16	14	8
Farming, forestry, fishing	4	6	11
Armed Forces	0	0	0

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey, unpublished.

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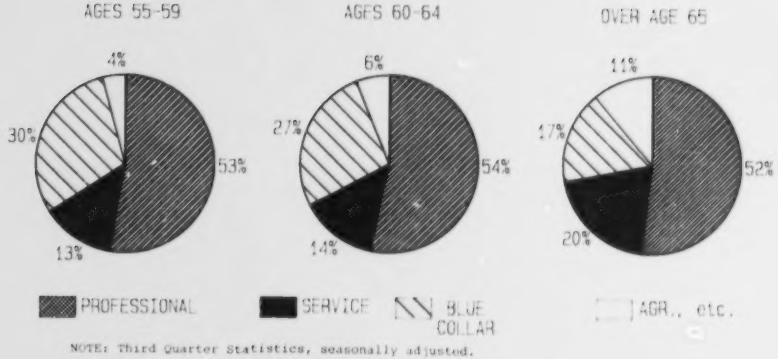
[CHART 4-4]

OLDER WORKER EMPLOYMENT
BY OCCUPATION
1985



NOTE: Third Quarter Statistics, seasonally adjusted.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey, unpublished

According to labor force projections developed by the Congressional Budget Office, the majority of working older persons are currently employed in those industries that are expected to have the greatest employment increases.[3] These projections predict that over 70 percent of the overall increase in employment is expected to occur in the three occupations that are the biggest employers of older persons—service, professional/technical, and clerical.

D. PART-TIME WORK

Part-Time Work Is an Increasingly Important Form of Employment for the Elderly

Part-time work is viewed by the working public of all ages as desirable during retirement.[4] According to results of a nationwide poll taken by Lou Harris in 1981, about three-quarters of the labor force prefer to continue some kind of paid part-time work after retirement. The majority of the labor force respondents to this survey felt that a flexible work schedule would be beneficial for retirees. Seventy-four percent of workers age 55 and over interviewed in the Harris survey, for instance, felt that a job that allows a day or two a week at home would be beneficial, 71 percent felt that a job shared with someone else would be beneficial and 57 percent felt that a flexible work schedule covering 70 hours every 2 weeks would be helpful. In contrast, far fewer individuals 55 and over (44 percent) felt that regular full-time jobs would be a help to them personally if they wanted to work after retirement.

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[3] Congressional Budget Office. Reported in U.S. Senate Special Committee on Aging. Developments in Aging: 1984, volume 1.

[4] Harris, Louis and Associates. Aging in the Eighties: America In Transition. A Survey Conducted for the National Council On Aging, 1981.

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TABLE 4–5.—EMPLOYED PERSONS 45 YEARS AND OVER ON PART- AND FULL-TIME WORK SCHEDULES

[Percent distribution]

Sex and age	1960		1970		1982		1985 [1]	
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time
Males:								
45 to 64	94	6	96	4	93	7	94	6
65 plus	70	30	62	38	52	48	55	45
Females:								
45 to 64	78	22	77	23	73	27	75	25
65 plus	57	43	51	49	40	60	42	58

[1] Third quarter.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey, unpublished.

Although the actual number of older persons working part time does not begin to equal the number who report that this would be desirable, for both men and women, the proportion of workers on part-time schedules increases with age. This trend has become more dramatic in the last two decades (table 4–5). For instance, from 1960 to 1985, the proportion of male workers age 45 to 64 on part-time schedules did not increase, but the proportion of 65-plus male part-time workers increased 15 points.

E. UNEMPLOYMENT

For the Elderly, Unemployment Results in Long-Term Problems

The unemployment rate for the elderly is about half that of younger workers, but once older workers lose their jobs, they stay unemployed longer than younger workers, suffer a greater earnings loss in a subsequent job than younger workers, and are more likely to give up looking for another job following a layoff.[5]

The majority of older persons do not want to work full time after retirement because they see retirement as a reward for years in the labor force or because they have disabling health problems. Almost two-thirds of retirees age 65 and over report that they left the work force by choice.[6] Of the remaining third who report that they were forced to retire, close to two-thirds claim to have retired because of disability or poor health and 20 percent because their employers had a mandatory retirement age.

Unemployment is a serious problem for those elderly persons who have to work for economic reasons or because they want to stay active. Based on third quarter figures for 1985, the unemployment rate for the elderly was 3.1 percent (table 4–6). Of Americans age 60 and over, 284,000 were out of work in the third quarter of 1984; 90,000 of these were age 65 or over. These numbers are not large compared to younger age groups, but because duration of unemployment is longer among older workers and there are relative-

[5] Rones, Phil. Labor Market Problems of Older Workers. Monthly Labor Review, May, 1983. Parnes, Herbert S., Mary G. Gagen, and Randall H. King. Job Loss Among Long Service Workers (Herbert Parnes editor). Work and Retirement: A Longitudinal Survey of Men. MIT Press, 1981.

[6] Harris, Louis, 1981.

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ly many more discouraged older workers than younger workers, the official unemployment rate is a poor indicator of the seriousness of the problem.

TABLE 4–6.—UNEMPLOYMENT BY AGE AND SEX, THIRD QUARTER 1985

[Not seasonally adjusted]

	60 to 64			65 plus		
	Total	Male	Female	Total	Male	Female
Number unemployed (in thousands)	194	116	78	90	48	42
Unemployment rate (percent)	4.1	4.1	4.1	3.1	2.7	3.7

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey, unpublished.

Older persons who are unemployed stay out of work longer than younger persons. In fact, persons age 55 to 64 have the longest spells of unemployment of any group in the country. For in progress spells of unemployment in which the job seeker has not yet found a job or given up the search for one, workers aged 55 to 64 have an average of 22.7 weeks of unemployment as compared to 12.5 weeks for workers age 20 to 24.

Discouraged workers are those who have given up looking for jobs and no longer appear in either unemployment or employment statistics. For men age 65 and over, the percentage of discouraged workers is comparable to the percentage unemployed. If added together, in the third quarter of 1985, discouraged workers would add 3.9 percentage points to unemployment rates for males 65-plus and 6.0 percentage points for females 65 and older. This would, in effect more than double current unemployment rates for older workers.

Older job seekers are far less likely to find a job than younger persons. If they do find a job they are likely to suffer an earnings loss. Longitudinal data and surveys have demonstrated that the wages of rehired older workers are often so low that it discourages many from seeking work after losing a job. Fringe benefits for older workers are also less common, largely because most older workers are employed by small employers who have only limited, if any, benefits for their workers.

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Chapter 5

HEALTH STATUS AND HEALTH SERVICES UTILIZATION

The majority of elderly persons in their younger retirement years are relatively healthy and are not as limited in activity as frequently assumed—even if they have a chronic illness. However, health and mobility does decline with advancing age. By the eighth and ninth decade of life, the chance of being limited in activity and in need of health and social services increases significantly.

This section describes the health status, health utilization patterns, and health expenses of the older population.

A. SELF-ASSESSMENT

Older Persons Have a Positive View of Their Personal Health

Contrary to popular opinion, older people, on the average, view their health positively. According to results of the yet unpublished 1983 Health Interview Survey conducted by the National Center for Health Statistics, 66.6 percent of elderly persons living in the community describe their own health as excellent, very good, or good compared with others of their own age; only 33.2 percent report that their health is fair or poor.[1] Although this survey excludes the institutionalized 65-plus population and, therefore, oversamples the healthy elderly, the results are a good indicator of overall health status of the elderly in the community.

Income is directly related to one's perception of his or her health (chart 5-1). About 20 to 25 percent of those with incomes over $20,000 described their health as excellent compared with others of their own age, while only 13.2 percent of those with low incomes (less than $10,000) reported excellent health.[2]

[1,2] Unpublished data from the National Health Interview Survey 1983, National Center for Health Statistics.

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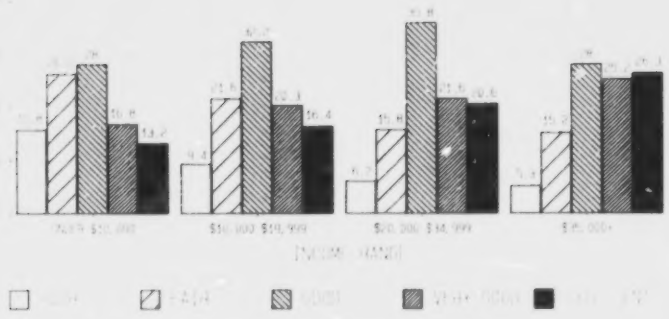
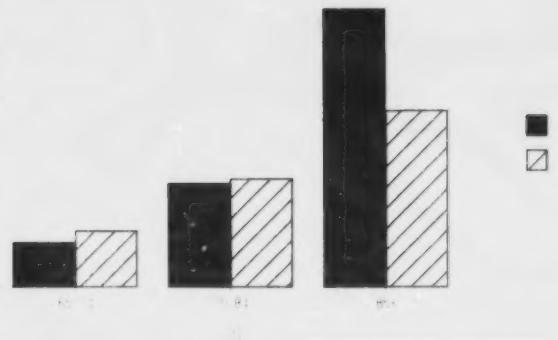


B. DISABILITY

One of Five Elderly Persons Has Some Degree of Disability While a Small Proportion Are Severely Disabled

The severity of any disease can differ tremendously from person to person, causing varying degrees of limitation in activity. For example, one person with arthritis may become housebound, while another only suffers from occasional flare-ups. According to recent estimates, one out of five elderly persons has at least a mild degree of disability (table 5–1). A small proportion are severely disabled (chart 5–2). A widely used measure of disability among older persons in the number of people with an activity of daily living limitation (ADL). According to the ADL scale, disabled individuals are mildly disabled (an ADL of one to two), disabled (an ADL of three to four) or severely disabled (an ADL of five to six). The 1982 National Long-Term Care Survey (NLTCS) sampled the noninstitutionalized disabled population to determine, among other things, the sources and amounts of long-term care provided to the disabled elderly population. Preliminary data from this study demonstrate that about 19 percent of 65-plus persons have some degree of limitation (mild to severe), 16 percent of males and 21 percent of females. Four percent of the elderly population is severely disabled, 3 percent of males and 4 percent of females.[3]

[3] Manton, Kenneth G. and Korbin Liu. The Future Growth of the Long-Term Care Population: Projections Based on the 1977 National Nursing Home Survey and the 1982 Long-Term Care Survey, 1984.



SOURCE: Manton and Liu, Preliminary data from the 1982 Long Term Care Survey

TABLE 5-1.—PERCENT OF THE 65 PLUS POPULATION IN THE COMMUNITY WITH ADL LIMITATIONS

IADL	ADL score			
Age/sex	Mildly disabled [1]	Disabled [2]	Severely disabled [3]	Total
	1-2	3-4	5-6	
65 to 74	4.2	1.8	2.1	12.6
Male	3.4	1.7	2.4	11.7
Female	4.7	1.9	1.9	13.3
75 to 84	9.0	3.6	4.5	25.0
Male	6.5	2.5	4.6	20.9
Female	10.3	4.3	4.4	27.6
85 +	17.4	7.8	10.4	45.8
Male	15.7	7.7	7.5	40.8
Female	18.2	7.9	11.8	48.2
All 65 +	6.6	2.8	3.5	18.9
Male	5.1	2.3	3.3	16.0
Female	7.7	3.2	3.6	20.9

[1] Limited, but not in a major activity such as eating, dressing, cooking or toileting
[2] Limited in amount or kind of major activity
[3] Unable to carry on major activities

Source: Preliminary data from the 1982 National Long-Term Care Survey

Rates of Disability Increase With Age

Although more than half of the oldest-old, the 85-plus generation, are not disabled, cross-sectional data demonstrate that the chance of becoming at least mildly disabled increases for the oldest age groups (table 5-1). In fact, males and females 85 and older are four times more likely to be disabled than those age 65 to 74. Almost half, about 46 percent, of persons 85-plus are mildly to se-

verely disabled compared to about 13 percent of persons age 65 to 74 and 25 percent of persons 75 to 84. Females more than males are likely to have activity limitations when they live beyond age 85. For instance, about 48 percent of women 85 and older are limited to some degree, compared to about 41 percent of men. About 12 percent of women in the oldest age category are severely disabled compared to less than 8 percent of men.[4]

C. CHRONIC CONDITIONS AND HEALTH PROBLEMS

Chronic Conditions, Although Not Necessarily Limiting, Are the Burden of Older Age

The pattern of illness and disease has changed in the past 80 years. Acute conditions were predominant at the turn of the century, chronic conditions are now the more prevalent health problem for elderly persons.[5] There has also been a change in the pattern of illness within an individual's lifetime. As individuals grow older, acute conditions become less frequent and chronic conditions become more prevalent. Cross-sectional data has shown that the likelihood of suffering from a chronic illness or disabling condition increases rapidly with age. More than four out of five persons 65 and over have at least one chronic condition and multiple conditions are commonplace in the elderly.

The leading chronic conditions for the elderly in 1983 were arthritis and hypertensive disease, hearing impairments, and heart conditions (chart 5-3). In most cases, the rates for these diseases are much higher for the elderly population than for persons 45 to 64. For instance, the likelihood of suffering from arthritis is 66 percent higher for those 65 and over than for those age 45 to 64; the likelihood of hypertension is 47 percent higher for the older age group.

[4] Manton and Liu, 1984.

[5] National Center for Health Statistics. 1981 National Ambulatory Medical Care Survey. Reported in U.S. Senate Special Committee on Aging. Aging America. 1984.

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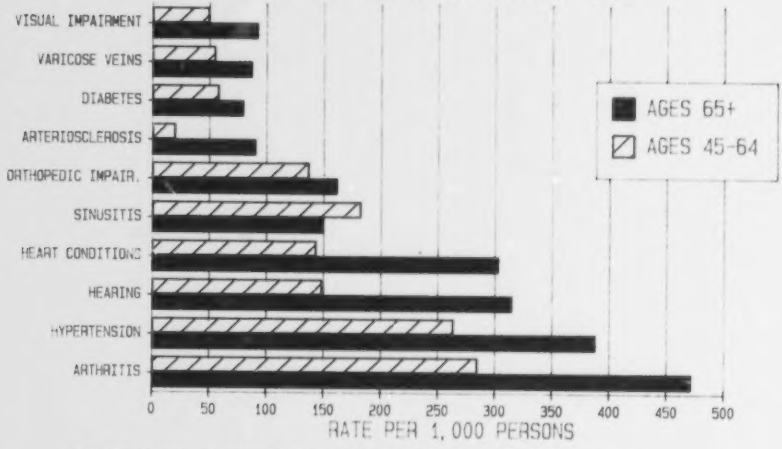
CHART 5-3

MORBIDITY FROM TOP TEN CHRONIC CONDITIONS: 1983



SOURCE: National Center for Health Statistics, 1983 HIS Survey

Most visits to the hospital among older persons are for chronic conditions. Digestive conditions, genitourinary conditions and injuries are the leading causes of hospitalization among the elderly. Likewise, most physician visits by older persons are for such chronic conditions as circulatory problems, diabetes, arthritis, and eye problems.

The types of conditions experienced by older people vary by sex and race. Older men are more likely than women to experience acute illnesses that are life threatening, while elderly women are more likely to have chronic illnesses that cause physical limitations. Osteoporosis, for example, is much more common among older women than men, while coronary heart disease is much more common among older men. The health situation of elderly blacks is generally poorer than that of elderly whites. For example, hypertension was more prevalent among blacks 65 to 74 years old (45 percent) than whites (33 percent) according to health data from 1971-75.[6]

Severe chronic illness can prevent individuals from functioning independently, increasing the need for long-term care services. In 1985, an estimated 5.2 million persons 65 years or older are expected to be mildly to severely disabled with the need for assistance and special aids to maintain independence. This figure is expected to reach 7.2 million by the turn of the century, 10.1 million by the year 2020, and 14.4 million by 2050.[7]

The severity of certain chronic diseases may be reduced in the near future by new technologies. Such clinical innovations as renal

[6] U.S. Bureau of the Census. Prepared by Jacob S. Siegel. Demographic and Socioeconomic Aspects of Aging in the United States. Series P-23, No. 138.
[7] Manton and Liu, 1984.

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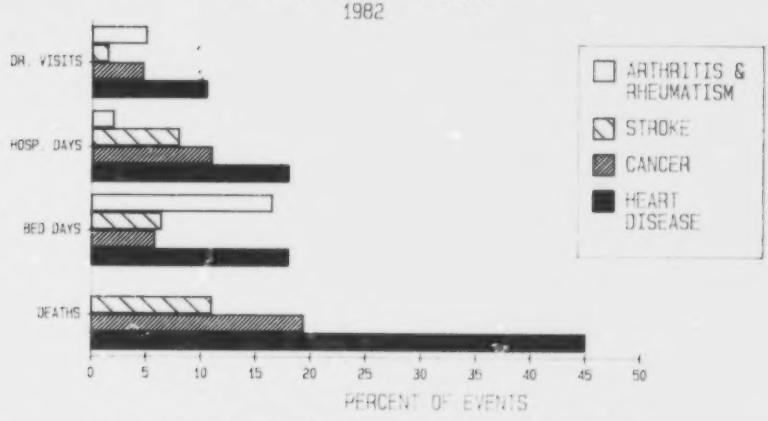
dialysis, insulin pumps and medications to reduce vascular spasming after a stroke are examples of recent advances that could benefit older persons.

Heart Disease Is the Leading Health Problem for the Elderly

Heart disease leads all other conditions in each of four major indicators of mortality or health care utilization. It accounts for 10 percent of all doctor visits, 18 percent of all short-stay hospital and bed disability days, and 45 percent of all deaths (chart 5-4). Heart disease, cancer, and stroke together account for over three-quarters of all deaths among the elderly. They also are responsible for about 2 percent of doctor visits, 40 percent of hospital days, and 50 percent of all days spent in bed. Arthritis and rheumatism, the leading chronic conditions, on the other hand, account for relatively few deaths and only 2 percent of hospital days. They do, however, account for 16 percent of days spent in bed, nearly as much as for heart disease.

CHART 5-4

PROPORTION OF MEDICAL EVENTS BY CONDITIONS
PERSONS AGE 65 AND OLDER
1982



SOURCE: Reported in Health: United States: 1982, National Center for Health Statistics

D. MENTAL HEALTH

Many Psychiatric Problems Are Not as Frequent for Elderly Persons as for Younger Persons, but Cognitive Impairment Is a Serious Problem

Contrary to common belief, older people have fewer mental impairments than other age groups. According to recent studies by the National Institutes of Mental Health (NIMH), persons 65 years and older were found to have the lowest rates of all age groups for eight mental disorders.

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The primary mental health problem of older age is the result of cognitive impairment. The NIMH studies found mild cognitive impairment in about 14 percent of elderly males and females and severe impairment in 5.6 percent of elderly men and 3 percent of elderly women. Alzheimer's disease is the leading cause of cognitive impairment.

Cognitive impairment, whether from Alzheimer's or other causes, is one of the principal reasons for institutionalization of the elderly. Data from the 1977 Nursing Home Survey, the latest data available, indicates that 22.3 percent of nursing home residents had "primary diagnoses" of a mental disorder or senility with psychosis.[8]

Another indicator of mental health problems, suicide rates, although extremely low when compared to other causes of death, are higher for elderly persons than for other age groups. In 1983 the suicide rate was about 17 per 100,000 for persons 65 to 74, about 25 per 100,000 for the 75 to 84 age range, and approximately 22 per 100,000 for persons 85 years and older.[9]

(NOTE: The NIMH studies examined 9,000 noninstitutionalized participants to determine the prevalence of specific disorders (affective disorders, panic and obsessive/compulsive disorders, substance abuse and/or dependence, somatization disorders, antisocial personality disorders, schizophrenia and phobia) and an eighth related disorder, cognitive impairment.)

E. DEATH RATES

DEATH RATES FOR THE ELDERLY HAVE IMPROVED DRAMATICALLY IN THE LAST FOUR DECADES

The last four decades have seen tremendous improvement in life expectancy. The age-adjusted death rate for the elderly decreased by 38 percent, 26 percent for males and 48 percent for females, from 1940 to 1980 (chart 5–5).

(NOTE: Analysis of trends in mortality is enhanced by examining age-adjusted death rates which are relatively free from the distortions associated with a changing age composition. Age-adjusted death rates show what the level of mortality would be if there were no changes in the age composition of the population from year to year.)

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[8] National Center for Health Statistics. Profile of Chronic Illness in Nursing Homes. United States: National Nursing Home Survey. Vital and Health Statistics. Series 13, No. 19.

[9] National Center for Health Statistics. Monthly Vital Statistics Report. Provisional data. Vol. 31, No. 13, 1984.

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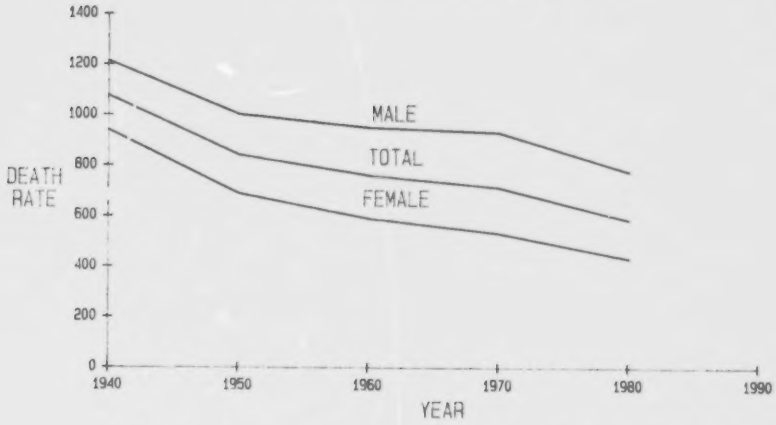
CHART 5-5

AGE ADJUSTED DEATH RATES
(PER 100,000) FOR TOTAL POPULATION



SOURCE: National Center for Health Statistics, Monthly Vital Statistics Report, Vol. 33, No. 9, 1984

In 1983, the lowest death rates in the country's history were recorded; 549.6 deaths per 100,000 persons as compared to 556.4 in 1982 and 585.9 in 1980. This decrease is in part due to declines in diseases of the heart, stroke, and accidents and adverse effects.

TABLE 5.2.—DEATH RATES [1] FOR ALL CAUSES ACCORDING TO AGE 1950–83

Age	1950	1960	1970	1980	1981	1982	1983
All ages, age adjusted	841.5	760.9	714.3	585.8	568.2	553.8	550.5
All ages, crude	963.8	954.7	945.3	878.3	862.4	852.0	862.8
55 to 64	1,911.7	1,735.1	1,658.8	1,346.3	1,322.1	1,297.9	1,299.5
65 to 74	4,067.7	3,822.1	3,582.7	2,994.9	2,922.3	2,885.2	2,874.3
75 to 84	9,331.1	8,745.2	8,004.4	6,692.6	6,429.0	6,329.8	6,441.5
85 and over	20,196.9	19,857.5	17,539.4	15,980.3	15,228.6	15,048.3	15,168.0

[1] Per 100,000 persons.

Source: National Center for Health Statistics. Monthly Vital Statistics Report, vol. 34, No. 6, 1985.

F. CAUSES OF DEATH

Heart Disease, Cancer, and Stroke Are the Leading Causes of Death for the Elderly

In the United States, three out of four elderly persons die from heart disease, cancer, or stroke. Heart disease was the major cause of death in 1950, and remains so today even though there have been rapid declines in death rates from heart disease since 1968, especially among females. Death rates from cancer continue to rise in comparison to heart disease, especially deaths caused by lung

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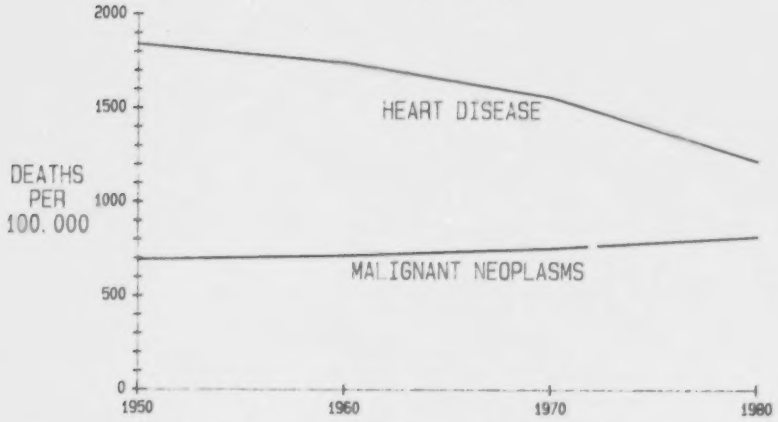
cancer (chart 5-6). In 1983, however, heart disease accounted for 40 percent of all deaths among persons 65 to 74, while cancer accounted for 29 percent of all deaths in this age group.[10] Even if cancer were eliminated as a cause of death, the average life span would be extended by only 2 or 3 years because of the prevalence of heart disease. Eliminating deaths due to major cardiovascular-renal diseases, on the other hand, would add an average of 11.4 years to life at age 65, and would lead to a sharp increase in the proportion of older persons in the total population. The third leading cause of death among the elderly—stroke (cerebrovascular disease)—has been decreasing since 1968.[11] In 1983, cerebrovascular disease accounted for only 6 percent of all deaths in the 65 to 74 age group.

CHART 5-6

DEATH RATES FOR PERSONS AGE 65-74
FOR HEART DISEASES AND MALIGNANT NEOPLASMS
1950-1980



SOURCE: U.S. Dept. of Health and Human Services, Public Health Service, "Health-U.S." 1983

Table 5-3 shows the 10 leading causes of death for three subgroups of the older population.

[10] National Center for Health Statistics. Monthly Vital Statistics Report. Provisional data. Vol. 31, No. 13, 1984.
[11] National Center for Health Statistics. Health, United States: 1981.

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TABLE 5-3.[1]—TEN LEADING CAUSES OF DEATH BY OLDER AGE GROUPS, 1983

[Rates per 100,000 population in specified group]

	55–64	65–74	75–84	85+
All causes	1,299	2,883	6,310	15,422
Diseases of heart	467	1,144	2,737	7,503
Malignant neoplasms	439	832	1,228	1,611
Cerebrovascular diseases	59	184	652	1,986
Accidents and adverse effects	36	49	101	268
Chronic obstructive pulmonary disease	45	142	259	303
Pneumonia and influenza	16	48	197	857
Diabetes	25	65	125	195
Suicide	17	17	25	22
Chronic liver/cirrhosis	36	39	34	18
Atherosclerosis	5	18	97	537

[1] The numbers have been rounded.

Source: Monthly Vital Statistics Report, Provisional Data 1983, vol. 32 No. 9, Sept. 21, 1985, table 8.

The factors which have led to reductions in mortality may or may not also lead to overall improvements in health status. If Americans continue to live only to about age 85, life-threatening disease could produce a healthier older population. But, if the life-span is increased dramatically in future years beyond age 85, the onset of illness may only be delayed, without an actual shortening of the period of illness.

(NOTE: It should be noted, that data for causes of death is based on information taken from death certificates and that frequently, underlying causes are not listed but a secondary illness will be recorded.)

G. COMMUNITY HEALTH SERVICES

"INFORMAL SUPPORTS" PROVIDE THE MAJORITY OF COMMUNITY SERVICES TO THOSE ELDERLY WHO ARE DISABLED

Friends, spouses, and other relatives provide valuable assistance to elderly persons who have disabling health problems but live outside of institutions. Preliminary data from the Health Care Financing Administration's Long-Term Care Survey demonstrate that, for the disabled older population living in the community, relatives provide 84 percent of all care to males and 79 percent to females (table 5-4).[12] More wives than husbands provide care to disabled spouses, reflecting the fact that women outlive men by an average of 7 years. More than one-third of all elderly disabled men living in the community are cared for by a wife, while only 1 in 10 elderly disabled women are cared for by a husband.

[12] Manton and Liu, 1984.

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TABLE 5–4.—PERCENT DISTRIBUTIONS OF CAREGIVERS BY RELATIONSHIP TO 65 PLUS INDIVIDUAL WITH ACTIVITY LIMITATIONS

	Care recipient	
	Male	Female
65 to 74:		
Spouse	45	18
Offspring	21	29
Other relative	21	33
Formal	13	20
75 to 84:		
Spouse	35	8
Offspring	23	35
Other relative	25	36
Formal	19	23
85+:		
Spouse	20	2
Offspring	34	39
Other relative	27	36
Formal	19	23
All 65+:		
Spouse	37	10
Offspring	24	34
Other relative	23	35
Formal	16	21

Source: Preliminary data from the 1982 National Long-Term Care Survey

With increasing age, the support given by spouses decreases as other family members and "formal" caregivers compensate for the loss. Children of aging parents provide care to about one-quarter of elderly males in this category and to slightly over a third of elderly women. Other relatives such as siblings or nieces are also giving substantial care to elderly disabled family members, providing 23 percent of all community care to men and 35 percent to women.

H. NURSING HOMES

Small Numbers of Elderly Live in Nursing Homes

Only about 5 percent of the elderly population are in nursing homes at any given time, but 20 percent will spend time in a nursing home during a given year. By the end of 1985, an estimated 1.5 million elderly persons will have lived in nursing homes.[13] In this year, an estimated 2 percent (295,000) of those aged 65 to 74 years will be in a nursing home compared to about 7 percent (627,000) of persons aged 75 to 84 years, and about 16 percent (489,000) of persons 85-plus. The rate of nursing home use by the elderly has almost doubled since the introduction of Medicare and Medicaid in 1966, from 2.5 to 5 percent of the over-65 population.

Nearly 75 percent of nursing home residents are without a spouse, as compared to just over 40 percent of the noninstitutionalized elderly. Such statistics, along with those which show that nursing home residents tend to have health problems which significantly restrict their ability to care for themselves, suggest that the absence of a spouse or other family member who can provide infor-

[13] Manton and Liu, 1984.

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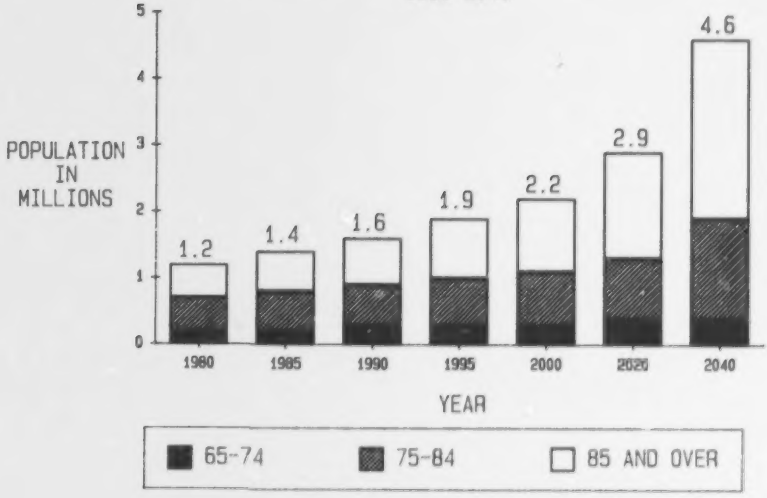
mal support for health and maintenance requirements is the most critical factor in the institutionalization of an older person.

CHART 5-7

NURSING HOME POPULATION PROJECTIONS
PERSONS 65 YEARS AND OLDER BY AGE GROUP
1980-2040



SOURCE: Manton and Soldo, "Dynamics of Health Changes in the Oldest Old: New Perspectvies and Evidence," Milbank Memorial Fund Quarterly, Vol. 63, No. 2, Spring 1985 and unpublished tabulations from the author

It is likely that the nursing home population will continue to grow rapidly, partly because of the growth in the size of the very old populations, and partly because of the increasing gap in life expectancy between husbands and wives. Projections reported by demographers Manton and Soldo predict that between 1985 and 2000, the nursing home population will increase from 1.4 to 2.0 million, and, by 2040, it will more than double again to 4.6 million (chart 5-7). Nursing home residents are disproportionately very old, female, white and currently unmarried.[14]

I. HEALTH SERVICES UTILIZATION

The Elderly Are the Heaviest Users of Health Services

With a greater prevalence of chronic conditions than in the population at large, older persons use medical personnel and facilities more frequently than younger persons. On the average, persons 65-plus visit a physician six times for every five visits by the general

[14] Manton and Soldo, "Dynamics of Health Changes in the Oldest Old, New Perspectives and Evidence," Milbank Memorial Fund Quarterly, Vol. 63, No. 2, Spring 1985.

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population. They are hospitalized approximately twice as often as the younger population, stay twice as long, and use twice as many prescription drugs.[15]

Health care utilization is greatest in the last year of life and among the oldest of the old. According to the recent work of Lawrence Branch at Harvard Medical School, those 85 and older have a three-fold greater risk of losing their independence, seven times the chance of entering a nursing home and two-and-a-half times the risk of dying compared to persons 65 to 74 years of age.[16]

Hospital Usage

Although total short-stay hospital admissions for the elderly have decreased slightly in the last 2 years, use increased between 1965, the year Medicare was enacted, and 1984 by 57 percent versus a 5 percent increase for the total population (chart 5–8). In 1984, the hospital discharge rate (number of discharges over 1,000 population) for those 85 and over was 85 percent higher than that for the 65- to 74-year-old group (table 5–5). The average hospital stay for persons age 65 to 74 was about 9 days in 1984 compared with about 10 days for the 85-year-and-over group (chart 5–9). For the elderly, the average length of stay in hospitals has been declining somewhat as it has for all age groups. While the length of stay has been growing shorter, it is offset somewhat by an increase in multiple admissions during a year.

TABLE 5–5.—UTILIZATION OF SHORT-STAY HOSPITALS FOR SELECTED AGE GROUPS, 1984

Age group	Discharged patients			Days of Care			
	Number in thousands	Percent distribution	Rate per thousand	Number in thousands	Percent distribution	Rate per thousand	Average length of stay
All ages	37,162	100	158.5	244,652	100	1,043.5	6.6
45–64	8,195	22.1	183.3	58,877	24.1	1,316.8	7.2
65–74	5,353	14.4	319.6	45,399	18.6	2,711.0	8.5
75–84	4,294	11.6	498.1	39,414	16.1	4,572.4	9.2
85 +	1,580	4.3	590.8	15,423	6.3	5,767.9	9.8
65 +	11,226	30.2	400.4	100,237	41.0	3,574.8	8.9

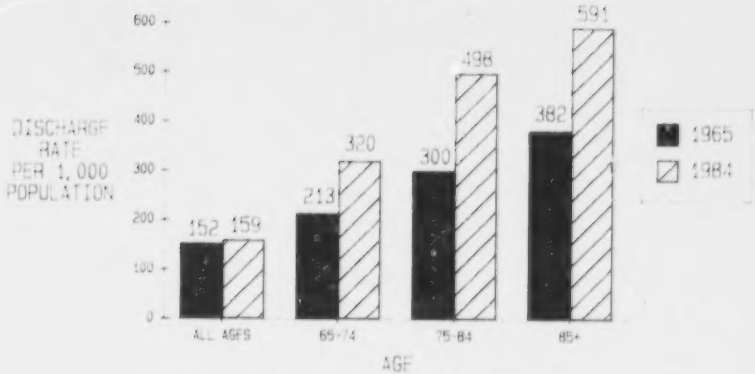
Source: National Center for Health Statistics, National Hospital Discharge Survey, 1984.

[15] National Center for Health Statistics Tabulations. Reported in U.S. Senate Special Committee on Aging: Developments in Aging: 1984, vol. 1.

[16] Soldo and Manton, 1984.

CHART 5-8

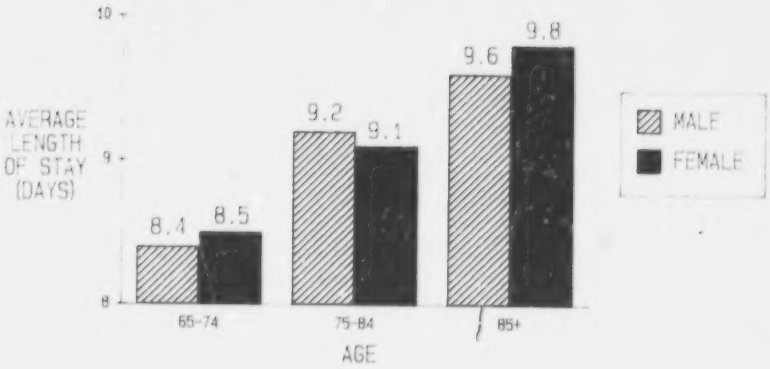
USE OF SHORT-STAY NON-FEDERAL HOSPITALS
CHANGE SINCE MEDICARE WAS ENACTED
1965 AND 1984



SOURCE: National Center for Health Statistics, National Hospital Discharge Survey, 1965 and 1984

CHART 5-9

DURATION OF STAY BY ELDERLY IN SHORT-STAY NON-FEDERAL HOSPITALS
BY AGE: 1984



SOURCE: National Center for Health Statistics, 1981 National Hospital Discharge Survey, 1984

In 1984, the elderly, who comprised 12 percent of the population, accounted for 30 percent of all hospital discharges. The population

75 and over, only 4.4 percent of the population, accounted for 22.4 percent of short-stay hospital days.[17]

Physician Services

Utilization of physician services increases with age (table 5–6). In 1983, persons aged 45 to 64 averaged 5.8 doctor visits a year, while persons between the ages of 65 and 74 averaged 7.3 visits. The likelihood of seeing a doctor at least once during a given year increases slightly with age. Among those in the 45 to 64 age group, 73.2 percent reported seeing a doctor in the last year, compared to 80.6 percent of those age 65 to 74 and 84.7 percent of persons 75 years of older. Since the enactment of Medicare, the average number of physician contacts and the percentage of persons 65 and over reporting that they had seen a physician in the last year, has increased significantly, particularly for persons with low incomes.[18]

TABLE 5–6.—VOLUME OF PHYSICIAN VISITS FOR 1983 [1]

All ages	1,164,101
25 to 44	321,448
45 to 64	255,359
65 to 74	116,409
65 +	196,970
75 +	80,561
65 + as a percent of the total equals 16.9	

INTERVAL SINCE LAST VISIT

[In thousands]

	Less than 1 yr	1–2 yrs	2–5 yrs	5 + yrs
All ages	168,711	24,676	23,531	8,836
25 to 44	47,542	8,135	8,373	3,048
45 to 64	31,892	4,294	4,976	2,430
65 to 74	12,828	1,045	1,228	817
75 +	8,259	485	599	410
Percentages:				
All ages	74.7	10.9	10.4	3.9
25 to 44	70.9	12.1	12.5	4.5
45 to 64	73.2	9.9	11.4	5.6
65 to 74	80.6	6.6	7.7	5.1
75 +	84.7	5.0	6.1	4.2

AVERAGE NUMBER OF VISITS PER PERSON PER YEAR

	Percent
All ages	5.1
25 to 44	4.7
45 to 64	5.8
65 to 74	7.3
75 +	8.2

[1] "Visits" include all contacts with a physician.
Source: Unpublished data from the National Health Interview Survey 1983, National Health Center for Health Statistics

[17] National Center for Health Statistics. Hospital Discharge Survey. Unpublished tabulations. 1984.
[18] National Center for Health Statistics. Health Interview Survey. Unpublished tabulations, 1983.

The aging of the population will create a greater demand for physician care. According to projections based on 1980 physician visit rates (153 million visits) and U.S. Census Bureau population projections, the need for physician visits will increase by 18 percent (over 30 million visits) by the year 2000, by 30 percent (over 50 million visits) by 2020, and by over 36 percent (over 110 million visits).[19]

The disparity between the elderly and nonelderly populations in the use of physician services is not as great as the disparity for other forms of health care. In 1980, persons under 65, 88.9 percent of the population, accounted for 84.9 percent of physician visits, while those 65 or over, 11 percent of the population, accounted for 15 percent of visits.[20]

Other Health Services

Utilization of health care other than hospital, nursing home or physician services varies by service (nursing home utilization is discussed in a separate section). Elderly persons visit dentists less often than the younger population.[21] For instance, in 1981, only 35 percent of the 65 and older population had seen a dentist in the last year compared to 52 percent of the population 45 to 64.[22] However, for prescription drugs, vision aids, and medical equipment and supplies, the older population have higher rates of usage than the younger population.[23] According to the 1977 National Medical Care Utilization Survey conducted by the National Center for Health Statistics, 75 percent of the elderly had been prescribed at least one prescription drug as compared to 58 percent of the total population.[24] The elderly also had slightly higher rates for use of vision aids and twice the rate for use of medical equipment and supplies than the younger population.

Home health care is growing in its importance as part of the health care delivery system. Use of home health services varies by age. Out of every 1,000 Medicare enrollees 65 to 66 years of age, 14 received Medicare-reimbursed home health care in 1980 compared with 74 out of every 1,000 persons who are 85 years or older.[25]

J. HEALTH CARE EXPENDITURES

Almost a Third of All Personal Health Care Expenditures Benefit the Elderly

Persons 65 and over, 12 percent of the population, account for a third of the country's total personal health care expenditures (total health care from all sources exclusive of research). In 1984, per

[19] U.S. Senate Special Committee on Aging 1984.
[20] National Center for Health Statistics, Health Interview Survey, unpublished tabulations, 1983.
[21] Ibid.
[22] Ibid.
[23] Waldo, Daniel R., and Lazenby, Helen C. Demographic characteristics and health care use and expenditures by the aged in the United States: 1977-1984. Health Care Financing Review. Fall 1984, vol. 6, No. 1.
[24] U.S. Senate, 1984.
[25] Waldo and Lazenby, 1984.

capita spending for health care for the elderly is projected to reach $4,202, representing a 13-percent annual growth rate from 1977. Total personal health care expenditures of the elderly are expected to reach $119,872 million in 1984 (table 5-7).

TABLE 5-7A.—PERCENT DISTRIBUTION OF PERSONAL HEALTH CARE EXPENDITURES PER CAPITA FOR PEOPLE 65 YEARS OF AGE OR OVER, BY SOURCE OF FUNDS AND TYPE OF SERVICE: UNITED STATES, 1984

Year and source of funds	Type of service				
	Total care	Hospital	Physician	Nursing home	Other care
1984:					
Total per capita	100.0	100.0	100.0	100.0	100.0
Private	32.8	11.4	39.7	51.9	65.3
Consumer	32.4	11.9	39.6	51.2	64.8
Out-of-pocket [1]	25.2	3.1	26.1	50.1	59.9
Insurance	7.2	7.9	13.5	1.1	4.9
Other private	0.4	0.4	.0	0.7	0.5
Government	67.2	88.6	60.3	48.1	34.7
Medicare	48.8	74.8	57.8	2.1	19.9
Medicaid	12.8	4.8	1.9	1.5	11.4
Other government	5.6	9.1	0.7	4.4	3.4

TABLE 5-7B.—DISTRIBUTION OF PER CAPITA PERSONAL HEALTH CARE EXPENDITURES FOR PEOPLE 65 YEARS OF AGE AND OVER, BY TYPE OF SERVICE AND SOURCE OF FUNDS: UNITED STATES, 1984

Year and source of funds	Total per capita	Type of service				
		Total	Hospital	Physician	Nursing home	Other care
1984:						
Total per capita	$4,202	100.0	45.2	20.7	20.9	13.2
Private	1,379	100.0	15.7	25.0	33.1	26.2
Consumer	1,363	100.0	15.3	25.3	33.1	26.3
Out-of-pocket [1]	1,059	100.0	5.6	21.4	41.6	31.3
Insurance	304	100.0	49.2	38.6	3.3	8.9
Other private	16	100.0	42.1	1.9	39.1	17.0
Government	2,823	100.0	59.7	18.6	15.0	6.8
Medicare	2,051	100.0	69.2	24.5	0.9	5.4
Medicaid	536	100.0	17.0	3.1	68.1	11.8
Other government	236	100.0	73.2	2.4	16.5	7.9

TABLE 5-7C.—PERSONAL HEALTH CARE EXPENDITURES IN MILLIONS FOR PEOPLE 65 YEARS OF AGE OR OVER, BY SOURCE OF FUNDS AND TYPE OF SERVICE: UNITED STATES, 1984

Year and source of funds	Type of service				
	Total care	Hospital	Physician	Nursing home	Other care
1984:					
Total	$119,872	$54,200	$24,770	$25,105	$15,798
Private	39,341	6,160	9,827	13,038	10,316
Consumer	38,875	5,964	9,818	12,856	10,237
Out-of-pocket [1]	30,198	1,694	6,468	12,569	9,467
Insurance	8,677	4,270	3,350	287	770
Other private	466	196	9	182	79
Government	80,531	48,040	14,943	12,067	5,482
Medicare	58,519	40,542	14,314	539	3,142

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TABLE 5-7C.—PERSONAL HEALTH CARE EXPENDITURES IN MILLIONS FOR PEOPLE 65 YEARS OF AGE OR OVER, BY SOURCE OF FUNDS AND TYPE OF SERVICE: UNITED STATES, 1984—Continued

Year and source of funds	Type of service				
	Total care	Hospital	Physician	Nursing home	Other care
Medicaid	15,288	2,595	467	10,418	1,808
Other government	6,724	4,920	162	1,110	532
Exhibit: Population (in millions)	28.5				

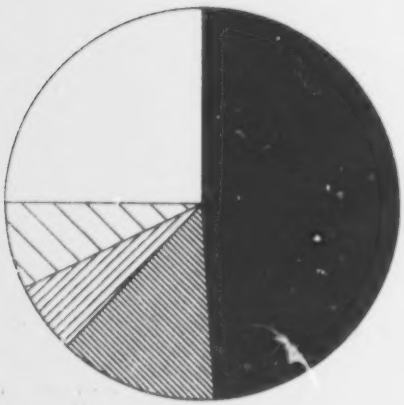
TABLE 5-7D.—PERSONAL HEALTH CARE EXPENDITURES PER CAPITA FOR PEOPLE 65 YEARS OF AGE OR OVER, BY SOURCE OF FUNDS AND TYPE OF SERVICE: UNITED STATES, 1984

Year and source of funds	Type of service				
	Total care	Hospital	Physician	Nursing home	Other care
1984					
Total	$4,202	$1,900	$868	$880	$554
Private	1,379	216	344	457	362
Consumer	1,363	209	344	451	359
Out-of-pocket [1]	1,059	59	227	441	332
Insurance	304	150	117	10	27
Other private	16	7	1	6	3
Government	2,823	1,684	524	423	192
Medicare	2,051	1,420	502	19	110
Medicaid	536	91	16	365	63
Other government	236	172	6	39	19

[1] Out-of-pocket funds exclude premium payments for Part B, Medicare and private health insurance.

Source: Waldo, Daniel R., and Lazenby, Helen C., Demographic Characteristics and Health Care Use and Expenditures by the Aged in the United States: 1977-1984, "Health Care Financing Review," vol. 6, No. 1, fall, 1984.

Private sources such as employer-paid insurance are the major source of health care payments for persons under age 65. However, public funds are the major source for 65-plus persons (chart 5-10).



SOURCE: Health Care Financing Administration, Office of Financial and Actuarial Analysis.

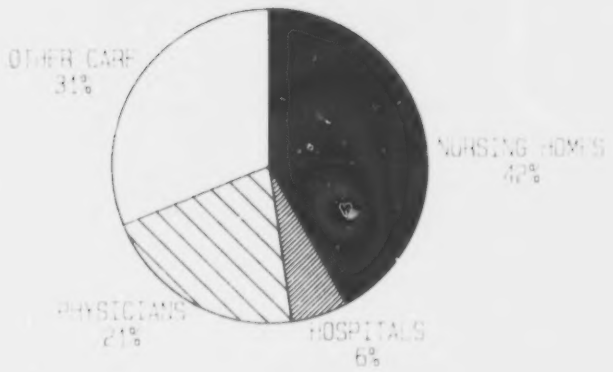
Out-of-Pocket Costs

Even with the substantial contribution of public funds, the elderly bear a considerable financial burden for health care out of their own pockets. Direct out-of-pocket health costs for the elderly averaged 15 percent of their income in 1984—the same as before Medicare and Medicaid were enacted. Direct out-of-pocket health care expenses for the elderly averaged $1,059 per person in 1984. The majority of these expenses are for nursing home care, physician visits and services, and health aids not covered by Medicare, Medicaid, or private insurance.

NOTE. Unless otherwise noted, data for health care expenditures for the elderly in this section are from: Waldo, Daniel and Lazenby, Helen, Demographic characteristics and health care use and expenditures by the aged in the United States: 1977-1984, Health Care Financing Review, Fall, 1984, Volume 6, Number 1.

[CHART 5-11]

WHERE THE OUT OF POCKET DOLLAR FOR THE ELDERLY GOES: 1984



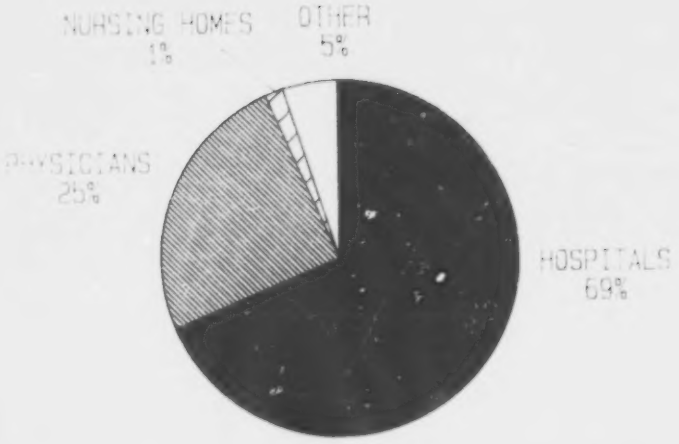
(Source: Health Care Financing Administration, Office of Financial and Actuarial Analysis)

Medicare

In 1984, Medicare was responsible for 49 percent of all personal health care expenditures. Costs for hospitals, which account for over 69 percent of all the dollars Medicare spends for health care, are fueling Medicare's growth (chart 5-12). The Congressional Budget Office has estimated that only 2 percent of the projected annual average 13.2 percent growth in hospital reimbursements from 1984 to 1985 will be due to the aging of the population.

CHART 5-12

WHERE THE MEDICARE DOLLAR FOR THE ELDERLY GOES: 1984



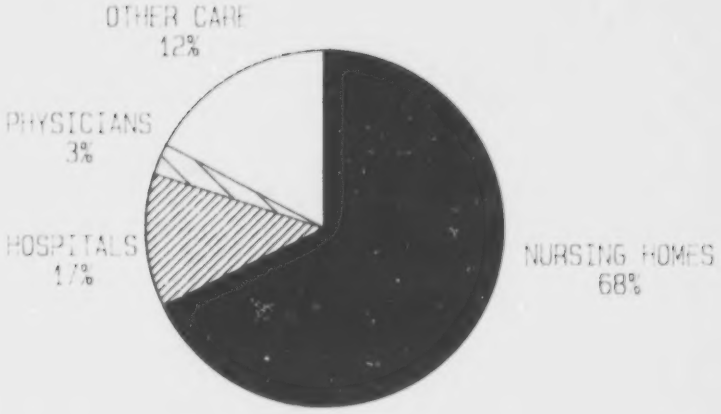
SOURCE: Health Care Financing Administration, Office of Financial and Actuarial Analysis

MEDICAID

Medicaid pays about 13 percent of personal health care expenditures for the elderly, the great majority of which is for that small portion of the population using long-term care (chart 5-13). The gap between funding by Medicare, Medicaid, and out-of-pocket costs for health care for the elderly is covered by private insurance, foundations, and other Government sources such as the Veterans Administration, Department of Defense, Indian Health Service, States, and counties.

[CHART 5-13]

WHERE THE MEDICAID DOLLAR FOR THE ELDERLY GOES: 1984



Source: Health Care Financing Administration, Office of Financial and Actuarial Analysis

Chapter 6

SOCIAL CHARACTERISTICS

The marital status and living arrangements of older persons vary tremendously by sex. Most men, for instance, spend their elderly years married and in family settings, whereas most older women spend their later years as widows outside of family settings.

The housing situation of older persons also varies significantly—with large differences by marital status and living arrangements. A surprising proportion of older persons bear the burden of high household expenses in relation to income. Inadequate housing and the lack of telephones are also problems for a small but significant number of older persons.

The following section describes these and other social characteristics of the older population, such as educational level and voter participation.

A. MARITAL STATUS AND LIVING ARRANGEMENTS

Unlike Elderly Men, Most Elderly Women Are Widowed and Live Alone

Over two-thirds (67 percent) of older, noninstitutionalized persons lived in a family setting in 1984. However, patterns of living arrangements and marital status differ sharply between elderly men and women, and the disparity increases for the oldest groups. For instance, in 1985, over three-quarters of the men but less than half of the women age 75 and older lived in a family setting (table 6-1).

Elderly women are more likely to be widowed than married (chart 6-1), and a substantial proportion live alone (table 6-1). The male/female disparity is more marked at older ages; in 1985, 68 percent of women 75 and older were widowed compared to less than 23 percent of men in this age group. And 67 percent of men 75 and older lived with their wives while only 23 percent of 75-plus women lived with husbands (table 6-2). These differences are caused by the combined effects of the higher age-specific death rates for adult men and the tendency for men to marry younger women.[1]

[1] Siegel, Jacob. Demographic Aspects of Aging and the Older Population in the United States. Series P-23, No. 59. 1982.

CHART 6-1

WIDOWHOOD OF PERSONS 55 AND OVER BY RACE AND SEX
MARCH 1985

SOURCE: U.S. Bureau of the Census, Current Population Survey, Series P-20, No. 389

TABLE 6-1.—LIVING ARRANGEMENTS OF OLDER MALES AND FEMALES, 1984

	Age 55 to 64		Age 65 to 74		Age 75 and older	
	Males	Females	Males	Females	Males	Females
Number (in thousands)	10,266	11,767	7,067	9,172	3,682	6,370
Percent in category						
Living with spouse	83	66	80	49	67	23
With other relatives only	5	14	6	14	10	24
With nonrelatives only	3	2	2	2	3	3
Living alone	10	18	12	35	20	50

Source: "Marital Status and Living Arrangements: 1984," Current Population Reports, P-20, No. 399, table 6, July 1985.

TABLE 6-2.—MARTIAL STATUS OF OLDER MALES AND FEMALES, 1985

	Age 55 to 64		Age 65 to 74		Age 75 plus	
	Males	Females	Males	Females	Males	Females
Percent in category						
Single	6	4	5	4	5	6
Married-spouse present	81	67	79	49	67	23
Married-spouse absent	3	3	2	2	2	1
Widowed	4	17	9	39	23	68
Divorced	6	9	4	6	3	2

Source: U.S. Bureau of the Census, Current Population Survey, March 1985, unpublished.

Elderly widowed men have remarriage rates about seven times higher than those of women. The "average" widow who has not remarried is 65 years old, has been widowed for 6 years, and can expect to live an additional 19 years as a widow.[2]

[2] U.S. Senate Special Committee on Aging, 1984.

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Elderly white males have the highest probability of being married, elderly black females the least. Black females are most likely to be widowed, white males the least. In addition, black persons are much more likely to be either single, separated, or divorced than are white persons.

Relatively small numbers of elderly live in intergenerational households with children or with other relatives, although this percentage does increase with advancing age, particularly for older women.

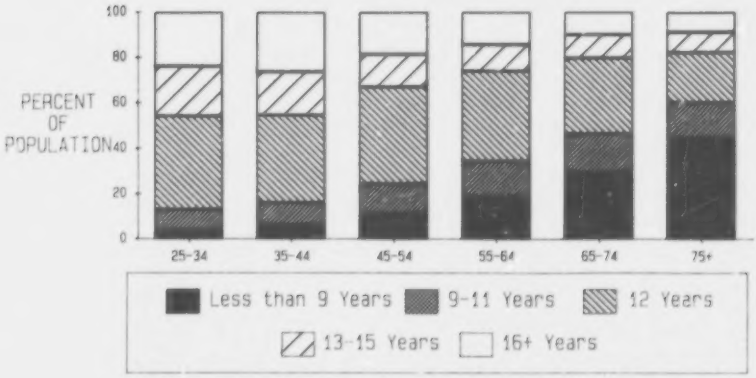
B. EDUCATION

The Education Gap Between Older and Younger Persons Is Closing

Although educational attainment of the elderly population is well below that of the younger population, the gap in median school years completed has narrowed somewhat over the last 30 years and is expected to decrease further by the end of this decade. Between 1970 and 1985, the median level of education among the elderly has increased from 8.7 years to 11.2 years (11.0 years for males and 11.3 years for females). By 1990, the median number of school years completed for persons 65 and over is expected to be 11.9 years as compared to 12.6 years for all persons 25 years and over.[3]

CHART 6-2

EDUCATIONAL ATTAINMENT BY AGE
1985



SOURCE: U.S. Bureau of the Census, Current Population Survey, 1985, Unpublished data

In 1985, the elderly were about 65 percent as likely to have graduated from high school (including those who graduated from col-

[3] National Council on Aging, Education For Older Adults; A Synthesis of Significant Data, 1982.

lege) as the entire population 25 years and over. Nearly 50 percent of the elderly population were high school graduates as compared with nearly 75 percent of the population 25 years and over.

There are significant differences in educational attainment for elderly whites and blacks. About a fourth of whites between the ages of 60 and 74 and just over four-tenths of those age 75 and over never attended high school. For blacks, 50 percent of those between the ages of 60 and 74 and 72 percent of those age 75 and over never attended high school. About 33 percent of older white Americans and 57 percent of older black Americans never went beyond the eighth grade. While 51 percent of elderly whites completed high school, only 22 percent of elderly blacks reached that level. In terms of higher education, about 10 percent of elderly whites attended 4 or more years of college, as compared with about 4 percent of elderly blacks.

The expected narrowing of the gap in educational attainment for older age groups will occur partly because of the educational opportunities that became available after World War II and partly because of our history of immigration. Today's elderly population has a much higher proportion of persons who are foreign-born than does the younger population. The elderly foreign-born have a higher rate of illiteracy and lower educational attainment than the native population.

(NOTE: Data on education in this section are from: U.S. Bureau of the Census, Current Population Survey, March 1982.)

C. HOUSING

HOUSING, WHILE AN ASSET FOR MOST OLDER PERSONS, IS A LIABILITY FOR OTHERS

Housing, while an asset for most older people, represents a serious problem for others. For older homeowners who do not have to budget for a mortgage or rental payments, or who can sell their homes at a profit, housing can be an asset. However, to many elderly persons who own older homes, the cost of repair and maintenance can be prohibitive. And, for renters or owners with a mortgage, monthly housing payments can be a substantial burden.

(NOTE: Unless otherwise noted, data on housing in this section is from 1980 Census public use tapes and prepared by Jeanne Griffith of the Congressional Research Service.)

Housing costs vary dramatically depending on homeownership status. For males aged 65 to 69, housing costs are 22 percent of income for renters and 21 percent for owners with a mortgage, but only 11 percent for owners without a mortgage.

(NOTE: Housing costs include gross rent or mortgage, basic utility costs—for all owners and for renters if such fees are not included in rent—and real estate taxes and insurance for owners.)

This trend becomes stronger with increasing age. For 85-plus males, housing expenses for renters and owners with a mortgage equal 26 and 33 percent of income respectively, as compared to 15 percent for owners without a mortgage. These comparisons are similar for elderly females.

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TABLE 6–3.—HOUSING COSTS AS A PERCENTAGE OF HOUSEHOLD INCOME, BY AGE AND SEX OF HOUSEHOLDER

	Median percentage by age							
	25 to 64	55 to 59	60 to 64	65 to 69	70 to 74	75 to 79	80 to 84	85 plus
Male	18.4	16.2	17.8	21.7	23.5	24.6	25.5	25.8
Rent	18.1	13.9	15.6	20.5	24.0	27.6	30.5	33.4
Own, with mortgage	7.2	7.0	8.1	10.9	12.5	13.5	14.6	15.6
Own, without mortgage								
Female	27.2	25.9	27.2	29.8	30.8	31.4	31.7	31.8
Rent	24.7	22.8	26.1	33.1	36.5	37.4	38.4	39.3
Own, with mortgage	13.1	12.8	14.6	17.5	19.1	20.5	21.4	22.3
Own, without mortgage								

Source: U.S. Bureau of the Census, 1980 Census of Population and Housing, Public Use Microdata Sample, special tabulations

Housing Rental and Ownership Varies by Age, Sex and Living Arrangements

Of the 17.7 million households headed by older persons in 1983, 75 percent were owner-occupied and 25 percent were rental units. The 1980 census found that 80 percent of owner-occupied elderly houses were owned free and clear. However, data from the 1980 census indicate, among the elderly, the older householders are more likely to rent rather than own, males are more likely than females to own homes and persons living alone are more likely to rent than are people who live with spouses.

According to results of the 1980 Annual Housing Survey, over a third (38 percent) of elderly owner-occupied households were inhabited by older men or women living alone or with nonrelatives.[4] Only 33 percent of renter-occupied units were maintained by elderly persons in families; the other 66 percent were maintained mostly by elderly men or women living alone. Data from the 1980 census demonstrate that this pattern is affected by the marital status, sex, and living arrangements of the homeowner. At ages 65 to 69, for instance, 44 percent of men living alone own their homes, compared to 82 percent of men living with their wives. With increasing age, married couples and single women are less likely to own their own housing. Men who live alone, however, are slightly more likely to own their own homes if they are in the oldest age brackets than those newly retired.

The Elderly Are Most Likely To Live in Older Homes

Persons 65 years or older are most likely to live in older homes whether they rent or own. In 1980, 40 percent of elderly homeowners lived in housing structures built in 1939 or earlier and another 14 percent live in structures built between 1940 and 1949. By contrast, 22 percent of younger homeowners lived in units built before 1939 and another 8 percent lived in units built between 1940 and 1949. Younger renters were similar to elderly renters: 40 percent of both age groups lived in structures built in 1939 or earlier and 8 to 10 percent rented units built between 1940 and 1949.

[4] U.S. Senate Special Committee on Aging, 1984

While age of housing is not necessarily an index of physical condition, it does bear a relationship to size, functional obsolescence, and ease of maintenance. Various housing studies reveal that many older persons live in homes that are too large for current family size and need. Many elderly with physical handicaps do not have the funds or the services available to adapt older, larger homes to their physical needs.

Age of housing also determines net worth. The median value in 1981 of homes built in 1939 or earlier was $39,900 as compared to $79,000 for those built after April of 1972.[5]

A Significant Number of Elderly Persons Live in Inadequate Housing and Do Not Have Telephones

According to the 1980 Annual Housing Survey, 10 percent of units headed by persons 65 years or older lived in housing infested with mice and rats and 30 percent lived in housing with bedrooms which lacked privacy (25 percent of elderly owners and 62 percent of elderly renters). Smaller numbers of elderly persons lived in housing with flaws such as incomplete kitchen facilities (2 percent), open cracks or holes (4 percent) and incomplete plumbing facilities (3 percent).

Telephones are an important link for all persons, particularly for elderly persons who live alone. Data from the 1980 census shows that elderly persons who rent are the most likely to be without a telephone. For instance, in 1980, nearly 15 percent of the 696,000 male renters and nearly 7 percent of the 1,155,000 female renters aged 65 to 69 were without telephones. Homeowners are much less likely to be without a telephone; less than 3 percent of both male and female homeowners age 65 to 69 are without a phone.

D. VOTING

The Elderly and Near-Elderly Are the Most Likely Age Groups To Vote

According to advance data from the Bureau of the Census' survey on voting behavior in the 1984 election, persons 65 and over accounted for 18 percent of all voters. Nearly 68 percent of all elderly persons voted, an increase over the 65 percent in the 1980 Presidential election. According to a Los Angeles Times poll, 60 percent of persons 60 and over voted Republican and 40 percent voted Democratic in the Presidential election. The New York Times counted a 63/36 percent Republican/Democratic split.

According to 1980, 1982, and 1984 census data on voter participation levels, rates of voting increase steadily with age until age 65 (chart 6-3). In the November 1984 election, one-third (33.9 million) of those who reported voting were 55 years or older. Of all age groups, voters age 55 to 64 and 65 to 74 had the highest participation rates (72 percent). Voting participation for those 75 and over (61 percent) is slightly below that of the population aged 35 to 44 (64 percent in 1984).

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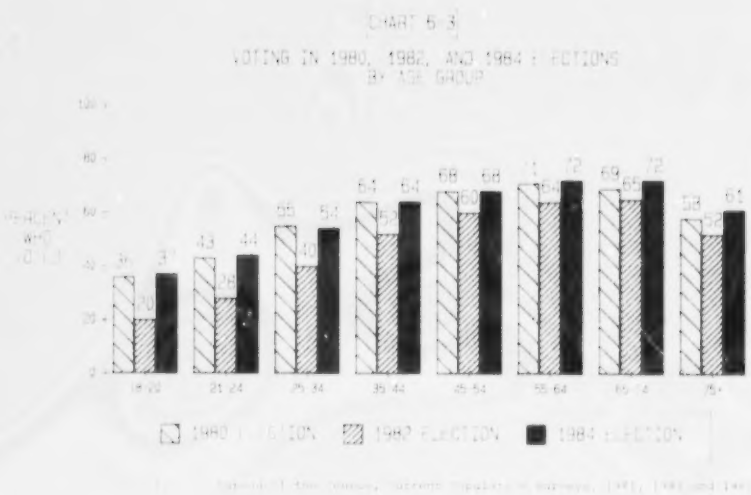
[5] Ibid.



The same relationships between older and younger voters held in the November 1982 midterm election, although in non-Presidential elections, levels of voting are lower for all age groups. In that election persons 65 to 74 voted at about the same rate as persons 55 to 64 (65 and 64 percent, respectively). Fifty-two percent of persons 75 and over voted in 1982, slightly lower than in the 1980 general election but still comparable to the 25 and older population as a whole. The typical decline in voting in midterm elections is more precipitous among young voters than among older voters. A higher proportion of 1982 voters than 1980 voters (37 percent versus 33 percent) were 55 years of age or older.

In both elections, among the elderly, white men were the most likely to vote, followed by white women, then black men and black women. Among the elderly who were registered to vote in 1980 but did not, 40 percent attributed the cause to illness. About 20 percent of all registered voters did not vote in 1980 because of lack of interest or lack of preference for either candidate, but the elderly mentioned these reasons only about half as often as other age groups. (This information is not available for the 1982 and 1984 elections.)

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Chapter 7

FEDERAL OUTLAYS BENEFITING THE ELDERLY

Since 1960, the share of the Federal budget spent on programs serving the elderly has nearly doubled. In 1960, less than 15 percent of the Federal budget was spent on the elderly. In fiscal year 1986, an estimated 26 percent of the Federal budget will fund programs benefiting the elderly, down from 28 percent in fiscal year 1984.

The doubling of the budget has occurred in part because of the increasing numbers of older Americans who have received improved Social Security benefits as the system has matured. More significant causes for this increase, however, are legislated improvements in income protection, health insurance, and services which were enacted in the late 1960's and early 1970's in an effort to reduce high levels of poverty among the elderly. Today, two-thirds of the budget for the elderly is spent on retirement income as compared to 90 percent in 1960. Health care spending, in contrast, has become an increasingly significant fiscal burden for both the national treasury and individual senior citizens. Spending on health programs for the elderly has increased from 6 percent in 1960 to an estimated 29 percent of Federal outlays for the elderly in 1986 (chart 7-1 and table 7-1).

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CHART 7-1

FEDERAL OUTLAYS BENEFITING THE ELDERLY
FISCAL YEAR 1986

SOURCE: Executive Office of the President, Office of Management and Budget

TABLE 7-1.—FEDERAL OUTLAYS BENEFITING THE ELDERLY [1]

(Dollars in millions)

	Fiscal year		
	1984 actual	1985 actual	1986 estimate
Medicare	53,307	60,907	64,417
Medicaid	7,435	8,057	8,878
Other Federal health	4,138	4,573	4,662
Health subtotal	64,880	73,537	77,957
Social Security	129,284	137,852	146,235
Supplemental security income (SSI) [2]	3,547	3,649	3,719
Veterans compensation-pensions	5,031	5,745	6,113
Other retired, disabled, and survivors benefits	23,689	24,634	25,863
Retirement-disability subtotal	161,551	171,880	181,930
National Institute on Aging	100	126	132
Older American volunteer programs	92	102	106
Senior community service employment	321	320	323
Administration on Aging	824	825	836
Subsidized housing [3,4]	4,338	9,166	4,870
Section 202 elderly housing loans [3]	595	501	490
Farmers Home Administration Housing	40	55	84
Food stamps [5]	610	615	612
Social services (title XX)	366	369	369

TABLE 7-1.—FEDERAL OUTLAYS BENEFITING THE ELDERLY [1]—Continued

(Dollars in millions)

	Fiscal year—		
	1984 actual	1985 actual	1986 estimate
Low income home energy assistance [7]	608	642	606
Other miscellaneous [8]	1,490	1,185	1,193
Other subtotal	9,385	13,906	9,622
Total elderly outlays	235,815	259,322	269,505
Percentage of total Federal outlays [9]	28	27	26

[1] Much of the data used to compile this table are based on unsubstantiated estimates and preliminary program and demographic information. Most estimates are for recipients aged 65 and over, include the effects of proposed legislation such as COLA freeze, and include rough estimates of the effect of Gramm-Rudman-Hollings on fiscal year 1986 outlays. Some Federal programs (e.g., consumer activities, USDA extension services, national park services) have been excluded due to lack of data.
[2] Fiscal year 1984 outlays reflect an 11-month benefit period.
[3] HUD defines "elderly" beneficiaries as households with head of household age 62 and over.
[4] Financing changed from loan guarantees to direct loans results in one time fiscal year 1985 outlay increase in Public Housing.
[5] Reflects net disbursements for new direct loans.
[6] Includes Nutrition Assistance to Puerto Rico.
[7] Based on 30 percent of total program obligations.
[8] Drop in unemployment rates and associated reduction in outlays causes the decrease between fiscal years 1983-85.
[9] Total Federal outlays includes items categorized as off-budget before fiscal year 1985.

Source: Office of Management and Budget, February 1986.

Only excessive increases in the cost of health care threaten to further expand Federal spending on the elderly. Forecasts of the costs of pension and health care programs over the next 50 years indicate that the share of the budget devoted to pension spending will decline somewhat and remain below current levels in the future. On the other hand, without some change in the method of financing, the share of the budget devoted to health care spending will continue to rise and may eventually surpass the cost of pensions.

A. FEDERAL SPENDING FOR THE ELDERLY

Most Federal Spending for the Elderly Is for Social Security and Medicare

In fiscal year 1986, $269.5 billion of Federal spending is expected to be of direct benefit to older Americans. Of every dollar spent on the elderly through the Federal budget in that year, 54 percent will go to Social Security and 27 percent will go to Medicare and Medicaid.

Social Security and all but a portion of Medicare are financed through dedicated taxes collected expressly and exclusively for the purposes of paying retirement and health benefits. In the two decades alone, social insurance has helped to cut the poverty rate among the elderly in half—from 28.5 percent in 1966 to 12.4 percent in 1984. Today, social insurance benefits are credited with preventing 86 percent of the poverty that would exist if Social Security were not available, according to estimates of the Office of Management and Budget.[1] Without transfer payments, OMB says, 55 percent of the elderly would be poor today.

[1] U.S. Congress, House, Committee on Ways and Means. Subcommittee on Oversight and Subcommittee on Public Assistance and Unemployment Compensation. Testimony by Hon. David A. Stockman, Director, Office of Management and Budget. Hearing, 98th Congress, 1st Sess. Nov. 3, 1983. Washington, U.S. Gov't. Print Off., 1983.

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The Federal Government also provides pensions and compensation benefits to veterans of military service and retirement benefits to former civilian employees and their survivors 65 years or over. About 12 cents of every Federal dollar spent on the elderly in fiscal year 1986 will go to support these programs.

A third area of Federal involvement with the elderly is in providing means-tested benefits to elderly poor who are unable, despite the existence of a universal social insurance system, to meet basic subsistence needs. About 4 cents of every dollar spent on the elderly in fiscal year 1986 is expected to be used to provide Supplemental Security Income (SSI) benefits, housing, food stamps, energy assistance, and social services to low-income individuals.

The fourth area of Federal spending on the elderly includes programs of general benefit to the elderly such as social, nutrition, and employment services provided through the Older Americans Act, research conducted through the National Institute on Aging, and volunteer services through the ACTION agency. Less than 1 percent of the elderly's share of the Federal budget is spent on these programs.

B. COSTS TO INDIVIDUALS AND FAMILIES

Increased Federal Spending for Health Care Has Not Reduced Health Costs to Older Americans

While the enactment of Medicare triggered the most rapid growth in Federal spending for the elderly, it has not effectively reduced the burden of health care costs for the elderly and their families. From a program spending $7 billion in 1970, Medicare has grown to a program with $70.8 billion in Federal outlays in 1985. Over the last 12 years, Medicare outlays have increased at an average annual rate of 18 percent, more than twice the rate of inflation and one-third faster than the growth in national personal health care expenditures. Even with savings measures enacted in the 1980's, it is still projected to grow at least twice the rate of inflation through the end of the decade.

Despite this growth in annual spending, Medicare payments increasingly fail to keep pace with rising health costs. Health care expenditures not paid by Medicare have been rising steadily as a percent of elderly income. By 1981, health spending not paid by Medicare equaled 15 percent of the average per capita income of a person 65 years or older. The elderly pay a fourth of their total health care bills out-of-pocket.

Medicaid was enacted to provide matching funds to the States to finance health insurance for the poor, including supplemental insurance for the elderly poor covered under Medicare. Medicaid has also grown rapidly with outlays rising from $4.9 billion in 1970 to $35.7 billion in 1984. Medicaid payments going to the elderly amounted to $12.8 billion in 1984, about three and a half times the amount spent on the elderly only a decade earlier. The portion of total Medicaid spending attributed to the elderly has remained

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about the same over the last decade, 37 percent in 1974 to 38 percent in 1984.

C. LONG-TERM FINANCING

The Long-Term Growth in Federal Spending Will Be Focused on Health Care Costs

Today, rising health care costs rather than spending for retirement income, are the greatest source of increase in public spending on the elderly (table 7–2).

Social Security retirement and disability benefits, which grew from 2.5 percent of GNP in 1965 to 5.2 percent in 1983, are projected to decline to 4.2 percent by 2005, and then increase slightly to 5.7 percent by 2030.[2] Other pension benefits paid from the Federal budget are expected to decline from 2 percent of GNP currently to about 1.2 percent of GNP by 2030.[2]

TABLE 7–2.—FEDERAL PENSION AND HEALTH PROGRAMS AS A PERCENTAGE OF GNP AND THE BUDGET: 1965 to 2040

	Pension programs as a percent of GNP [1]	Health programs as a percent of GNP [1]	Total as a percent of GNP [1]	Total as a percent of budget [2]
1965	4.1	0.3	4.4	24.9
1970	4.7	1.4	6.1	30.0
1975	6.4	2.0	8.4	37.1
1980	6.5	2.3	8.8	38.2
1982	7.1	2.7	9.7	39.6
1984	7.0	2.8	9.8	39.7
1986	6.6	3.0	9.6	39.4
1988	6.4	3.2	9.6	39.4
1990	[3] 6.6	[3] 3.1	9.7	40.4
1995	6.2	3.7	9.9	41.3
2000	5.8	4.0	9.8	40.8
2005	5.6	4.4	10.0	41.7
2010	6.0	4.7	10.7	44.6
2015	6.0	5.0	11.0	45.8
2020	6.5	5.4	11.9	49.6
2025	7.0	5.9	12.9	53.8
2030	7.1	6.4	13.5	56.3
2035	7.1	7.0	14.1	58.8
2040	7.0	7.5	14.5	60.4

[1] Estimates for 1984 to 1988 are based on CBO baseline assumptions (August 1983); forecasts for 1990 and beyond are based on intermediate assumptions of the Social Security and Medicare actuaries.

[2] Forecasts for 1990 and beyond are based on the assumption that the Budget accounts for 24% of GNP.

[3] The discontinuity in the estimates of pension and health benefits as a percent of GPN between 1988 and 1990 is due to the Social Security trustees assuming that OASDI will grow at a faster rate than CBO in the late 1980's and the Health Insurance trustees assuming that Medicare will grow at a slower rate than CBO assumes.

Source: John L. Palmer and Barbara B. Torrey, "Health Care Financing and Pension Programs," prepared for the Urban Institute Conference on "Federal Budget Policy in the 1980s," Sept. 29 and 30, 1983.

On the other hand, health care costs will continue to grow steadily; in 1970, Medicare and other Federal health programs accounted for only 1.6 percent of GNP, but by 1984 Federal health spending had risen to 2.9 percent of GNP. With no change in current law, Federal expenditures on health are projected to increase to

[2] Palmer, John L. and Torrey, Barbara H. Health Care Financing and Pension Programs. Sept. 29 and 30, 1983.

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more than 6 percent of GNP by 2030.[3] In short, if health care costs are not brought under control, Federal spending on health care will equal, or even surpass, Federal spending on retirement income within the next 50 years.

Overall, the share of the Federal budget going to the elderly is expected to remain fairly stable for the next two decades, as declines in the share for retirement income spending offset increases in health spending. Only then should overall spending on the elderly rise as a proportion of the budget, and then only if health costs have been allowed to rise unchecked in the interim.

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[3] Medicare forcasts are from the 1983 Report of the Trustees of the Hospital Insurance Trust Fund.

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